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AGRICULTURAL TRADE WITH MEXICO

HEARING

BEFORE THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

JULY 22, 1993

Printed for the use of the Committee on Commerce, Science, and Transportation

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AGRICULTURAL TRADE WITH MEXICO

THURSDAY, JULY 22, 1993

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The committee met, pursuant to notice, at 10:05 a.m., in room SR–253, Russell Senate Office Building, Hon. Byron Dorgan, presiding.

Staff members assigned to this hearing: Troy Cribb, professional staff member, and Ivan A. Schlager, staff counsel; and Kevin M. Dempsey, minority staff counsel.

OPENING STATEMENT OF SENATOR DORGAN

Senator DORGAN. This is a hearing from the Senate Committee on Commerce, Science, and Transportation on the subject of agricultural trade with Mexico.

I want to welcome those who are going to present testimony today, and give you just some advance on the purpose of this hearing.

The first time I met Ambassador Kantor several months ago we were talking about agricultural trade and free trade agreements, and I expressed concerns about NAFTA with the United States and Mexico.

Ambassador Kantor said, "Well, agriculture supports NAFTA, do they not?" It occurred to me that was not an unusual question. I think there is a perception that agriculture by and large supports NAFTA, but agriculture is not a monolith.

There are many different parts to the agricultural industry in this country. There are the large food processors, large corporate agricultural interests, and then there are family farm interests, and processors in between.

There are many interests who support the NAFTA agreement, or the United States-Mexico Free Trade Agreement, but there are also many agricultural groups, especially those that represent family farm interests that do not support it for a large number of reasons.

It occurred to me it would be useful to explore with a number of groups the reason for their opposition to this trade agreement, and we have invited a number of those groups to testify today.

I should tell my fellow members of the committee, we also have invited groups who support NAFTA, although they have obviously testified previously at different forums, but we had invited them as well, and none of them were able to be at this hearing.

Next week there is scheduled a pro-NAFTA agricultural group that is forming and holding press conferences, and having a meet-

ing I think with the Ambassador. Those are normally the larger agribusiness interests in agriculture, but nonetheless, they are active.

We had invited virtually all of the major farm organizations, including the Farm Bureau. The Farm Bureau was not able to be here today. They do support NAFTA.

That is a description of this hearing. We would like to discuss with those organizations that are going to be with us today the reason for their opposition to NAFTA, exactly how will NAFTA affect their members, their family farmers in their opinion, and why.

So, I appreciate very much those who are going to present testimony today.

[The prepared statement of Senator Dorgan follows:]

PREPARED STATEMENT OF SENATOR DORGAN

Good morning. First of all, I wish to thank Commissioner Sarah Vogel of North Dakota and the farm leaders who were able to come to Washington today to testify on a matter extremely important to our future.

Let me just say what this hearing is about.

There seems to be a lot of confusion in this country, especially in Washington, about the position of "American agriculture" on the proposed North American Free Trade Agreement, or, as I wish to call it, the U.S.-Mexican trade agreement. Indeed, based upon most of what we read and see in the media, one would think that this country's farmers are getting a "good deal" with the Mexican agreement, and that "American agriculture" generally supports it.

In fact, I'm told next week there is going to be a big rally at the White House, led by the Secretary of Agriculture and the Trade Ambassador, to launch a campaign called "Ag for NAFTA." Then, the Ag for NAFTA campaign is going to send hundreds, perhaps thousands, of people to Capitol Hill to lobby for approval of the agreement with Congress.

Well, let me tell you who has launched this Ag for NAFTA campaign. The list of charter members of this political coalition reads like a directory to America's largest food sector corporations. They are "agriculture," all right, but most certainly aren't farmers. Most of them are this country's giant corporations of the food processing and distribution sector, or they are agricultural organizations at least in some part controlled by those corporations.

So, in the rising debate over approval of the Mexican agreement, it seems to me we ought to learn who supports the agreement and who does not. Corporate agriculture didn't really have to form an "Ag for NAFTA" group to tell us that the big corporations support NAFTA. I think that message has been pretty clear in the media and here in Washington.

Of course the food sector corporations support NAFTA! No question! They want to be able to play off U.S. farmers against Mexican farmers against Canadian farmers in the marketplace, and they want to do so with minimum restriction or responsibility. We understand that.

Today, however, I wanted to hear especially from groups representing our Nation's food producers. I want to hear from our farmers and their organizations. Farmers often have an entirely different economic interest in trade agreements or other policies of commerce than do the corporations of the food sector, and I want to work toward a consensus of what U.S. farmers think of the Mexican agreement.

So, the purpose of this hearing is to hear from American farmers and producer groups. I want this hearing to show what such groups think, because I don't believe America understands what the implications of the agreement are for farmers, and the way family farmers who grow wheat or barley, potatoes or sugar beets, peanuts or edible beans, will be affected should the agreement be implemented.

Senator DORGAN. Mr. Chairman, your comments, please.

OPENING STATEMENT OF SENATOR HOLLINGS

Mr. CHAIRMAN. Today the committee is holding an important hearing on the impact of the North American Free Trade Agreement on the agricultural sector of the U.S. economy. While several major farm organizations have endorsed NAFTA, this hearing will provide a forum for small family farmers, whose voices too often

are not heard as Congress charts agricultural policies driven by corporate commodity groups, and will give us a chance to pinpoint the concerns of the commodity groups which remain opposed to NAFTA, including the sugar, fruit, and vegetable industries.

Several of the witnesses today come before our committee with hard-learned lessons under the Canadian-U.S. Free Trade Agreement. The controversies surrounding Canadian softwood lumber, durum wheat, and pork are indicative of a new trade regime, under which supranational panels will make decisions previously made by the U.S. courts or the U.S. Department of Commerce—but without the rights that our citizens enjoy when settling disputes under U.S. domestic law or administrative procedures.

A discussion of how farming will fare under NAFTA also gives us an opportunity to compare the wide discrepancies in environmental and labor regulations between the United States and Mexico. A U.S. farmer's production costs are impacted by the myriad regulations imposed by our Federal and State governments, including laws covering pesticide applications, worker safety, standards for migrant housing, and wetlands protection—regulations which for the most part are not imposed in Mexico. In addition, a 1992 General Accounting Office report lists 58 pesticides which are permitted in Mexico but not in the United States—a safety issue of concern to all U.S. consumers.

In addition, it is important to note that NAFTA also will have an enormous impact on Mexican agriculture, which currently employs 26 percent of its workforce. Until recently, the constitution and laws of Mexico have supported an agricultural industry based on small, family-owned farms. NAFTA would cap a deregulation movement that could displace as many as 700,000 rural Mexicans from their farms, and in considering NAFTA the Congress should take into account the likelihood of increased illegal immigration as Mexico undergoes this abrupt change.

I continue to have grave concerns about the detrimental impact on NAFTA. In this regard, today's hearing will explore a range of issues raised by the proposed NAFTA—its impact on U.S. producers, its mechanisms for dispute resolution, its consequences for labor and environmental regulations, and its repercussions on immigration policy. I look forward to reviewing the testimony presented today. Thank you, Mr. Chairman.

Senator DORGAN. Thank you, Mr. Chairman. I would like to invite my colleague, Senator Danforth, for any opening remarks.

OPENING STATEMENT OF SENATOR DANFORTH

Senator DANFORTH. Mr. Chairman, thank you very much. You are quite correct in stating the strong belief of the U.S. Trade Representative, Ambassador Kantor, that NAFTA will be a major plus as far as American agriculture is concerned. As Ambassador Kantor has put it, "agriculture is a major winner under NAFTA."

Since 1986, between 1986 and 1992, U.S. agricultural exports to Mexico have grown from $1.4 to $3.8 billion. This is largely the result of unilateral liberalization by Mexico.

In 1992, the United States had an agricultural trade surplus with Mexico of $1.3 billion. However, despite this very positive

trend, serious problems continue to exist, and those serious problems are addressed by the North American Free Trade Agreement.

Today 25 percent of U.S. agricultural exports to Mexico are still subject to import licensing restrictions. These import licensing restrictions would be lifted immediately under NAFTA. They would be replaced by tariff rate quotas, which would then be phased out over a period of 10 to 15 years.

With respect to various agricultural commodities, the projections of the Department of Agriculture are that there will be, over the period of time that is required for the phase-in of the liberalization, major benefits for each of these commodities.

USDA estimates that in corn, exports, after the completion of the phase-in period, would be 60 percent higher than without NAFTA;, that for wheat it would be 20 percent higher;, for soybeans and soybean meal, 12 percent higher; for dairy, 50 percent higher than without NAFTA; for pork, 35 to 40 percent, and so on.

So, it is the best judgment of the administration, the best judgment of the Department of Agriculture, and the best judgment of the U.S. Trade Representative that NAFTA is going to be a major benefit to American agriculture. This is recognized by a number of farm organizations that have expressed their support for NAFTA.

Mr. Chairman, I would like to insert the following in the record, the statement by the American Farm Bureau Federation, a statement by the National Cattleman's Association, by the National Corn Growers' Association, by the Rice Millers' Association, by the National Association of State Departments of Agriculture, by the American Forest Products Association, and also the U.S. Department of Agriculture's analysis of the affects of NAFTA on agricultural commodities, a report of the Agricultural Policy Advisory Committee regarding the NAFTA, the U.S. National Trade Commission report on the effects of the NAFTA, the Congressional Budget Office report on the effects of NAFTA, and the testimony of Ambassador Kantor before the House Agricultural Committee.

Obviously, Mr. Chairman, I do not ask that the committee reprint all of those items, but simply that they be included in the record.

Senator DORGAN. Without objection.

Senator Exon.

OPENING STATEMENT OF SENATOR EXON

Senator EXON. Mr. Chairman, thank you very much. I am so pleased that you have called this hearing. Unfortunately, we are in markup in the Armed Services Committee today, and I cannot remain for the full meeting.

I think this is a tremendously important meeting that we are having, to get information on all sides of this issue. Certainly, I recognize, and you recognize, and Senator Danforth, and others that represent farm States recognize that there is quite the definite split between the various farm interests on the pros and cons of NAFTA.

I have not made up my mind on this issue. I certainly am waiting to see what side agreements, if any, that the President has referenced on many occasions, would be possible and proper before we

moved ahead. Certainly, I think that there are many different sides to this matter that we have to take into consideration.

At least some of the farm organizations and farmers in my State are now realizing some of the adverse impacts of the forerunner to NAFTA, our trade agreement with Canada.

I know that the people in North Dakota, adjacent to the border, are concerned about this, also. So, certainly, I think that the light of sunshine, and truth, and opinions can show forth on this to help all of us have a better understanding pro and con on the positive aspects and some adverse impacts that I still think remain with the North American Free Trade Agreement. Thank you very much. I will stay as long as I can.

Senator DORGAN. Thank you. Senator McCain.

OPENING STATEMENT OF SENATOR McCAIN

Senator MCCAIN. Thank you, Mr. Chairman. I am sorry that I will not be able to stay either. I am afflicted with the same problem as Senator Exon in the markup in the Senate Armed Services Committee.

I do want to thank you for holding this hearing. I will try and come back as frequently as I can out of the markup, because I know there is very important testimony from the witnesses, some of which I have had the opportunity to read last night.

I will try to be brief, Mr. Chairman. Since Senator Danforth made many of the points that I would like to have made, including the fact that we have a $1.5 billion trade surplus with Mexico in agriculture, NAFTA will immediately give U.S. corn growers clearance to ship $2.5 million metric tons of corn to Mexico, and will lift all remaining restrictions over a 15-year transition phase.

At the end of the 15-year transition phase, USDA estimates that U.S. exports of corn will be 60 percent above the level expected without NAFTA.

As Senator Danforth mentioned, our exports to Mexico in agriculture have more than doubled over the last 7 years. I think it is very important to recognize that if someone should fear free trade in the area of agriculture, it may be the Mexicans.

The Department of Agriculture estimates that U.S. exports of corn to Mexico will be 60 percent higher under NAFTA. The prospect for corn growers is reflected in the support of the National Corn Growers and its 28,000 members.

The U.S. competitive advantage in agriculture is obvious. Mexico has one-fifth the cropland as the United States, and three times as many workers. Only 30 percent of Mexican cropland is irrigated—20 percent of Mexican cropland does not lend itself to mechanization.

Of course, as we know, Mexican agriculture lacks much of the infrastructure needed for successful and competitive modern farming.

Low wages is the bugaboo that we hear continuously, Mr. Chairman, as the reason why everything—why we will hear this sucking sound of jobs going to Mexico. In fact, if low wages were the answer, the sucking sound would be jobs going to Haiti, because the minimum wage in Haiti is a lot less than the minimum wage than in Mexico.

The fact is that it is not wages that drives businesses and industries to one place or another; it is a whole variety of factors.

Finally, Mr. Chairman, the one phrase I grow a little weary of is the one that I hear time after time, "I am for free trade, but." I am sure that if I research the Congressional Record, Mr. Hawley and Mr. Smoot would have said, "I am for free trade, but."

I believe the reason why the great global depression of the 1930's was dramatically exacerbated was because of protectionist policies.

I am convinced that the seminal event of this Clinton administration will be whether we pass a free trade agreement or not, and if we do not, I think the consequences are going to be profound. I thank you, Mr. Chairman.

Senator DORGAN. Thank you. Senator Burns.

OPENING STATEMENT OF SENATOR BURNS

Senator BURNS. Thank you, Mr. Chairman. I appreciate you having these hearings. I am affected with the same thing that my colleagues are. We have other things to do. I plan to come back after we get them done to hear some of the—it's a contagious disease, Senator.

I think some of the points that my ranking minority leader made are very good. I guess I have the experience of witnessing the best of both worlds.

I was raised in Missouri, where Senator Danforth was, and I have also been involved in agriculture on the northern tier. We have some serious reservations on this, because we have not focused on the third leg of this agreement.

I have seen the best of experiences, because we in the north country do not have cropping options like other States do. We cannot shift our gears and raise another crop very easily.

I think the Senator from North Dakota understands that, too, because of our growing season, and the kind of soil, and where we have to do business. So, I am very concerned about my sugar beet industry, my sugar industry, and how that will be impacted by this agreement, and because I think it will be threatened. That income is very important to the State of Montana.

When I say I am concerned about the third leg to this agreement—and we have a problem with the situation. The Canadian Free Trade Agreement is not working as we thought it would work.

We have very few ways, or the way that we have devised now to settle trade disputes, of either perceived or real trade situations, we do not have a mechanism in which to resolve those problems to the satisfaction of both parties. If it cannot be satisfied, if it is not satisfactory to one side, it cannot be to the other, and so it cannot be a good agreement.

So, I would ask unanimous consent that my statement be entered into the record, and that we look at the problems to the north.

If we are going to judge on what effect it will have, the free trade agreement, to the south, let's look at the history to the north, because we do have serious problems in our wheat, durum, and spring wheat, and also in our pork, and also, to some extent, the cattle industry, and, of course, that impacts my State of Montana. So, I am being very parochial here.

But I also understand one other thing, that this agreement does give the Western Hemisphere a great boost in economic vitality, the Western Hemisphere, when we have to compete with other, say, consortiums around the world, the Pacific Rim, and the EEC, just to name a few. It does give us quite a lot of economic muscle. I think it should be pursued.

Those are the areas of my concern. I will miss some of the testimony this morning, but I will read that testimony very closely. And I will return after I take care of my obligations in other areas this morning.

So, I thank you, Mr. Chairman, and I ask that my statement be entered into the record.

Senator DORGAN. Without objection.

[The prepared statement of Senator Burns follows:]

PREPARED STATEMENT OF SENATOR BURNS

Thank you, Mr. Chairman, for holding this hearing on a subject of great interest to my home state, the impact of the Mexican leg of NAFTA on the agricultural communities of our country. I appreciate the chance to air our concerns and enthusiasm about freer trade with Mexico in the agricultural realm. I look forward to hearing the viewpoints of our expert witnesses.

The four-fold increase in American exports to Mexico from 1986 to 1992 will probably accelerate under NAFTA. My state of Montana's exports of agricultural crops to Mexico grew by almost 1000 percent between 1987 and 1992, which shows that the Mexican market has great potential for our exports. So I must say cautiously that NAFTA will be a good thing for our agricultural sector by that measure.

I do have some concerns, though, when it comes to specific products. Our nation's sugar beet industry, for example, which is very, very important to Montana's economy, is deeply threatened by the lack of protection against an unfair import surge from Mexico's sugar producers.

Also, as I have mentioned in the past, my primary concerns about agricultural issues lie to the North, not to the South. People often ignore that third leg of this Agreement, and I want to see more attention given to it. The past has shown what problems can arise when a free trade agreement is enacted without enough regard for our vital agriculture sector. The Canada Free Trade Agreement caused serious problems in the durum wheat, pork, and spring wheat industries, and the dispute resolution process just didn't come through for us, in my opinion. It's easy to predict the future if you look at the past enough, and this past tells me that unless we take some further steps, NAFTA may spell trouble for our farmers.

That is why I have strongly encouraged the negotiation of the often ignored "third" side agreement, which would set up a more safe and level field, so to speak, for all three nations' farmers.

Others have pushed hard for what I think would be extremely over-strong side agreements for environmental enforcement and labor protection. Likewise, Judge Charles R. Ritchie has ruled that the National Environmental Policy Act requires an environmental impact statement before NAFTA can be submitted to Congress. The statement could take months or years, cost hundreds of thousands of dollars, and may well be impossible. What is more, because of the schedule of this Congress, unless our Trade Representative can overturn this appeal very soon, the debate on NAFTA will be over and all opportunities arising from it will be gone.

I think this all shows that we have focussed plenty hard on those issues and we need to turn back to our farmers. The weak provisions addressing the real problems which our farmers have already had must be fixed. If we see some progress in fixing these problems, either directly or with a strong import surge side agreement, I will be much more comfortable supporting North American free trade.

Mr. Chairman, I thank you for this opportunity and I look forward to the testimony of our experts.

Senator DORGAN. Let me call the first witness. The first witness will be North Dakota Commissioner of Agriculture, Sarah Vogel.

While Sarah is coming forward I would like to say to my colleagues that in my opening statement I did not point out, and I want to point out quickly, that we were, I think, fundamentally de-

ceived—and I do not use that word lightly ever—fundamentally deceived with respect to the details of the U.S.-Canada Free Trade Agreement, deceived with respect to its impact, and by subsequent testimony by those who were involved in negotiations, represented by them in understanding of the free trade agreement that turns out to have been fundamentally false, so they did not even know in many cases what the deal was, and who made the deal, and with whom.

The relationship of a new free trade agreement with Mexico and the old free trade agreement with Canada is a significant relationship to us. There is the old statement: Fool us once, shame on you, fool us twice, shame on us.

I obviously am an aggressive opponent of NAFTA. I was shadow boxing in my opening statement. I am an opponent, because the demonstration of these free trade agreements is that those who negotiate, generally speaking, with Canada, and I think with Mexico, have largely not represented the best interests of those who farm in this country, those who represent family farmers.

So I just want to say that there is a connection here between the U.S.-Canada and the U.S.-Mexican Free Trade Agreement, now NAFTA, and I assume we will discuss that today.

Let me welcome Commissioner Vogel. We also had invited the agricultural commissioner from Florida, who was going to be with us, but it turns out he was unable to, because of schedule problems.

Commissioner, welcome, and you are welcome to present your statement.

STATEMENT OF SARAH VOGEL, NORTH DAKOTA COMMISSIONER OF AGRICULTURE

Ms. VOGEL. Thank you very much, Senator Dorgan, and members of the committee.

I think one thing on which everybody can agree, there is a lot of rhetoric on NAFTA. What I would like to do today is talk about the reality of NAFTA, as an agriculture commissioner of a very agricultural State.

North Dakota is also a State with a very proud environmental record, first in clean air and first in clean water. My department's motto is "Strength from the Soil." We intend to keep North Dakota's environment clean.

The first big myth of NAFTA rhetoric is that NAFTA promotes free trade in agriculture across the board. In reality, NAFTA destroys the short and intermediate opportunities of a number of crops.

As shown in the chart in my written testimony, some of the crops that are adversely affected are barley, dry edible beans, corn, and milk. They either have new tariffs added, or access is restricted from present markets, or both.

I would like to explain some of the defects in NAFTA by going into one very drastic example: dry edible beans. Beans are a very mundane legume that a lot of people joke about. My son, who is 14, knows about a thousand bean jokes. But beans are not a joke in North Dakota.

We have 441,000 acres of beans and those acres are worth $71 million a year. Obviously, the terms of the NAFTA agreement are very important to our bean market.

When NAFTA was still a gleam in a lobbyist's eye, I was very excited about the potential for beans into Mexico. But when the agreement actually came out, and I had a look at it, I saw that NAFTA cuts our tariff-free access of beans to 50,000 metric tons. Between 1989 and 1991, our average annual exports were 90,000 metric tons. So, that is a 40,000 metric ton cut.

For anything over 50,000 metric tons, the North American Free Trade Agreement imposes a new tariff, which is a minimum of 139 percent, or $480 a ton. This is going to come down slowly over a 15-year period.

Now, one of the questions I have is: What happens if Mexico decides that it would like more access to beans? I think that is quite likely, given recent import experiences.

Are Mexican buyers going to go to the United States or to another country? Will they go to the United States in the year 1995, when we have a tariff of 127.8 percent, or will they go to another country still operating under the CONASUPO system?

This is a great concern. I asked the Mexican Undersecretary of Agriculture what would happen, and he tried to reassure me: "Do not worry. The U.S. sellers will also be notified. You will have a chance equal to any other country."

So, I then asked one of our NAFTA negotiators where in the agreement that notification process was, because I had read NAFTA, and I had not seen it. I found out it is not in there.

I would like to emphasize one point that Senator Dorgan brought up, and that is in North Dakota we have been stunned by bad drafting, by ambiguous phrases and by omissions of key terms in the Canadian Free Trade Agreement. I do not think it should happen again.

This agreement, if it purports to cover all trade with Mexico, has to cover it carefully, and it has to cover it well.

What I concluded from my reading of how beans will be treated is as if the negotiators did not care very much about beans, nor were the negotiators worth beans.

Barley is another example. Our duty-free access has been cut. They have added new tariffs on dairy products. They have not opened our access to the Canadian markets for milk.

Another example is wheat. There is a new 5-percent tariff on durum wheat going into Mexico, and there will be a new 15 percent on all wheat if NAFTA goes into effect.

Now, why are these new tariffs, this restrictive access, so little known? My hypothesis is that it is because the Mexican tariff schedules are printed in Spanish. You can imagine my dismay when I had lugged five volumes of NAFTA back to North Dakota, to pick up the volume on the Mexican tariff schedule, which is a key document, only to find the entire document in Spanish. I was, incidentally, a very poor student in Spanish back in high school.

The second big myth of NAFTA rhetoric is that NAFTA is good for agriculture in the long run. This morning you have heard that argument: "look at the long run." My immediate concern is for the

short and intermediate term. We may be losing farmers because NAFTA does not do a good job for the short and intermediate term.

But let us look at what the long-term benefits are supposed to be. This morning one of the Senators spoke about the enhanced export volume. But USDA also says the enhanced revenue will be minute. It is trivial. It is almost undetectable.

For wheat, after the transition period, the revenue benefit to farmers will be one-half of 1 percent; for corn, 3 percent; for soybeans, 4 percent; for dry edible beans, 3 percent; for beef, eight-tenths of 1 percent; for dairy, fourth-tenths of 1 percent; for rice, 2 percent; and for tobacco, 3 percent.

These long-term benefits, if you can call them benefits, can only be characterized as trivial and conjectural.

The value of soybeans, which is the big winner under the USDA analysis, with the 4-percent increase after 10 years, last year fluctuated by 28 percent. I think it is fair to say that the daily market swings and daily currency fluctuations more than account for these hypothetical benefits.

I would agree absolutely that Mexico is a growing market. It is one of the markets that the North Dakota marketing division has targeted. But when you look at the huge increases in sales to Mexico between 1986 and 1992, and the very paltry benefits that USDA predicts will occur after NAFTA, it is really a reason to reject NAFTA, not to accept it.

Another big myth of NAFTA rhetoric is that the downsides to free trade are just minor. I would disagree. One example of a downside is cattle health.

In the United States, since 1918, there has been a very strong push to eliminate the disease of tuberculosis in cattle. Over the years, incidence has gone from almost 5 percent of cattle, down to .015 percent.

Our progress on elimination of tuberculosis in cattle, however, has been stalled, and it is due to imports of Mexican steer. USDA veterinary service has called Mexican steers the most formidable challenge to exposure potential of bovine tuberculosis in the United States.

The chart in my testimony indicates that there has been a large jump in confirmed cases of bovine tuberculosis. In 1988, there were only 70 cases throughout the entire United States. In the first 6 months of 1992, there were 224 cases. That jump is related to imports of Mexican steers—92 percent of the steers which were found to have tuberculosis came from Mexico.

North Dakota is a State that has been certified tuberculosis free. To prevent the entrance of diseased Mexican cattle we have established a special rule that requires a U.S. veterinary inspection before any Mexican cattle can enter our State. That is the kind of State phytosanitary and sanitary rule that would be subject to challenge under NAFTA.

If it were challenged under NAFTA, we could not even appear at that dispute resolution panel to defend our State regulation.

This leads me to the fourth big myth of the NAFTA rhetoric, that the agreement has adequate safety net features to protect our economy, our health, and our environment. Nowhere in the text, nowhere in the footnotes, nowhere in the annexes of NAFTA is there

any procedure for a State to intervene in a NAFTA dispute if a State law or regulation is challenged. This affects many public policy choices, not just health and safety, but also investment.

In North Dakota, we have a ban on corporate farming that has been taken to the Supreme Court of the United States, and found constitutional. This is the kind of law that could be challenged, and if it were, the State of North Dakota could not intervene. I think that is just wrong.

The court systems of the United States and the States are all open to the public. But under the NAFTA system, the team of trade experts from the three different countries who constitute a "panel" are not required to disclose the briefs that they receive. They are not required to disclose the experts that they select. There is no opportunity for a cross examination, for presentation of the State's points of view. I think that this is an absolutely fatal flaw to NAFTA.

The fifth big myth is that NAFTA will result in a level playing field. I think NAFTA is like a table with a flat top. The legs on one side are 2-feet long, and the legs on the other side are 6-feet long. It is flat, but it sure isn't level. This is very close to home for me.

As part of my duties as agricultural commissioner, I enforce the pesticide laws of North Dakota. We conduct over 1,000 examinations and inspections a year on farmers, commercial applicators, and chemical dealers.

Another program that the State of North Dakota has is the program whereby at State expense we go around the country and pick up banned and hazardous chemicals, chemicals like DDT. Last year we picked up 40 tons of banned and hazardous pesticides, including over 5,000 pounds of DDT.

Now, if NAFTA passes, I am going to be in a conundrum. How do I explain to my farmers that it is essential that I go out and enforce the pesticide laws, and how do I explain to the taxpayers that it is essential that we go out and pick up DDT and other banned chemicals when we are subjecting our farmers to competition by farmers who can legally use DDT, and their pesticide enforcement is virtually nonexistent?

This level playing field is also an issue for small businesses. In North Dakota, we require minimum wage, social security deductions—especially if you want to be in the cabinet—worker's compensation deductions, overtime, safe working conditions, and so forth.

Now, if the State of North Dakota advertised that businesses elsewhere should move to North Dakota because our average wage was $1 an hour, the first thing that would happen is that a whole bunch of inspectors from OSHA, from the Department of Labor, from the Social Security Administration would hop on Northwest Airlines and fly out to North Dakota to put people in jail.

The State of Yucatan can make the same advertisement, and our enforcement personnel sit by. Some people even call that economic development for Mexico.

I have been accused of being unbalanced about NAFTA, but I have looked at the positives. I see many positives in oilseeds, purebred cattle, hogs, and several others, but on a balance, I cannot

support NAFTA. I think it will avail a farmer little if the sunflowers increase marginally in value, while wheat, barley, beans, and sugar will lose, and his cattle are exposed to tuberculosis.

It avails a farmer little if her husband's off-farm job was lost to $1-an-hour wages in Mexico. It avails a farmer little if he cannot even deliver the purebred bull that he sold to a Mexican buyer, because he is required to change to Mexican drivers at the Mexican border.

It think I am balanced about NAFTA. I would urge the Senate to reject NAFTA, to treat this as a decent attempt at a first draft, to go back, to renegotiate. Some people say if we reject this version, the boat will leave the dock.

I say that this boat is the Titanic. Let it go. We can get in a different, better boat and achieve our objectives to enhanced trade and assistance to people better with a different version. Thank you.

[The prepared statement of Ms. Vogel follows:]

PREPARED STATEMENT OF SARAH VOGEL

The topic of NAFTA has been swirling through the capitols of federal and state governments, talk shows, newspapers and television; farmers talk about it at kitchen tables and main street cafes; executives talk about it in board rooms. Lobbyists talk about it everywhere. Most of this talk has been rhetoric.

I'm tired of the rhetoric of NAFTA. Today, I will discuss the reality of NAFTA as it will affect my state, North Dakota.

North Dakota is a major agricultural state—we are first in production of all wheat, first in durum and hard red spring wheat, first in barley, first in flax, first in sunflowers, first in edible beans. In addition, we have a $600,000,000 cattle industry that focuses on feeder cattle production. We are among the top five states in several other commodities including sugarbeets, potatoes, oats, honey and rye.

Building on our rural base, North Dakotans have paid a lot of attention to our environment. The motto of my department is "Strength from the Soil", and we mean it. North Dakota is first in clean air and clean water. We are the first state to have approval from the EPA on our endangered species protection program and we are the first state in our region to submit a program to protect groundwater from agricultural chemicals.

Although agriculture is our primary industry, we are working very hard to expand jobs—in fact, last year, we had the highest net job growth since 1979 despite difficulties in agriculture and energy industries. We have many programs, under the overall legislative umbrella of "Growing North Dakota", that are designed to expand manufacturing, tourism and service jobs, find new domestic uses and export markets for our agriculture products, and keep our farmers on the land.

In my office we work very hard to sell food and agricultural products abroad. We have gained $11.7 million in sales just from trade show contacts in the last two years. Our main target markets are Mexico and Canada.

I am very much for trade. And, I am adamantly against NAFTA.

I am not against NAFTA because I am isolationist or afraid of competition. I am against NAFTA because it does not provide for adequate opportunities to our producers, because it imposes drastic new tariffs on some of our crops, and because it subjects our highly regulated, safety conscious producers to competition by production methods that would be illegal in the United States. As a state official, I am also opposed to NAFTA because of its cavalier treatment of sound state laws and regulations.

The First Big Myth of NAFTA rhetoric is that it promotes free trade in agriculture. In reality, it destroys short and intermediate term trade opportunities, as to a number of crops.

If you asked ten people on Washington, D.C.'s Constitution Avenue and ten people on Bismarck's Main Street the question "what is NAFTA going to do?", all would answer that NAFTA will eliminate tariffs and increase access to Mexican and Canadian markets. Twenty of twenty would be wrong.

In reality, NAFTA adds many new tariffs and restricts many existing markets. Corn, barley, wheat, beans, and milk and cheese products will have less access or higher tariffs, or both, for the intermediate future if NAFTA goes into effect. The following chart drawn from the Mexican tariff schedule illustrates this point.

Present restrictions	Commodity	Tariff free quota	1989–91 average exports	1994 tariff over quota
$.77/kilo; $7.70/MT—Import license.	Wheat, including durum.	Zero	354,258 MT	15% reduced to 0 over 10 years.
$.02/kilo	Corn	1.5 Mil. MT	2,884,931 MT	$206/MT but not less than 215%. Reduced to 0 after 15 years.
$.23–.34 kilo on barley	Barley	120,000 MT	188,000 MT	$155/MT but not less than 128% for barley; $212/MT but not less than 175% for malt. Reduced to 0 after 10 years.
Duty free except 15% between Aug.10–Jan. 31.	Soybeans	Unlimited	1,145,436 MT	Seasonal tariff reduced from 15% to 10% and the dutiable season reduced from Aug. 1–Jan. 31 to Oct. 1–Dec. 31. Tariff to be reduced over 10 years.
Import licensing systems.	Dry edible beans	50,000 MT	90,275 MT	$480/MT but not less than 139%. Reduced to 0 after 15 years.
$2.24/kilo on fresh, chilled and frozen pork.	Hogs and pork	353,000 HD; 21,032 MT.	124,430 HD; 68,500 MT.	In quota 18% to be eliminated over 10 years. Over quota 20% to be eliminated at the end of year 10.
15% on live slaughter cattle; 20% on fresh and chilled beef.	Cattle and beef	Zero	133,079 HD; 41,146 MT.	Tariffs to be eliminated.
Import license on milk powder and cheese.	Dairy	40,000 MT of milk powder; zero on cheese.	41,985 average milk powder; 1,893 MT/cheese.	$1,160/MT not less than 139%; 20% cheese tariff to be reduced over 10 years.
10% for rough and broken rice; 20% for brown and milled rice.	Rice	Zero	135,508 MT	Present tariffs to be phased out over 10 years.
Licensing system	Tobacco	Zero	2,886 MT	50% tariff to be eliminated over 10 years.

I'm going to show how NAFTA restricts trade with a very graphic example: dry edible beans. Beans are a mundane legume that are the brunt of many jokes. (My son, age 14, knows about a thousand.) But beans are no joke in North Dakota, where we plant 440,000 acres of navy, pinto and other varieties. These beans are worth $71,000,000 annually. We are the number one producer of edible beans and our number one market is Mexico. Between 1989 and 1991, the U.S. average annual export volume of beans to Mexico, pursuant to CONASUPO license, was 90,276 metric tons with no tariff.

When NAFTA was still a gleam in a lobbyist's eye, I was quite optimistic that NAFTA would bring expanded trade opportunities for beans. I was disappointed. NAFTA cuts our tariff free access from over 90,000 metric tons to 50,000 metric

tons. Sales over that amount have a tariff of one hundred thirty nine percent, but not less than $480 a ton. That's right: 139% and $480 a ton! Using today's prices of $419 per ton, the tariff in 1994 will be $480 a metric ton. This new tariff will come down slowly over 15 years and the quota will increase by three percent a year over 15 years. In the year 2000, the ad valorem tariff will still be 93.9 percent, and the tariff free access will only be 61,494 metric tons—almost thirty thousand tons less than our 1989-91 average. This is "free" trade? But it gets worse.

The next question is, what happens if Mexico has a crop failure or reduction, or its consumers want more beans than allowed by the quota. (Given our recent export experience, this is very likely.) If Mexico wants 40,000 more metric tons of beans in 1998, will they import them from the U.S. with a 1995 tariff of 127.8 percent? Or from China that still operates under the old CONASUPO licensing system with no tariff? It's obvious. A smart bean processor won't be buying U.S. beans.

When I raised this problem with the Mexican Undersecretary of Agriculture, I was assured that U.S. sellers would be notified and allowed free access to the market on an equal basis with other countries if Mexico wanted more duty free beans. When I asked a representative of USTR where the notice to the U.S. sellers and access to the market procedures were to be found in the Agreement, I was told that this issue would be handled by Mexico. It was a "domestic issue." NAFTA is silent on that point.

This serious omission does not leave me with a sense of confidence that our negotiators care about beans, or are worth beans.

The question of what happens if Mexico wants more than the quota amount of beans between now and 2007 is a crucial issue for our bean farmers and bean industry. This issue must be addressed in an Agreement that purports to settle all trade issues. If Mexico in fact intends to be flexible about imposition of the tariff, the agreement must specify how our farmers will be notified, and when, and by whom. It must spell out the conditions under which tariffs will be waived, and by whom and when.

Barley is another example. NAFTA negotiators agreed to eliminate Mexican import licensing requirements on barley and malt and provide immediate duty-free access for 120,000 metric tons of barley and malt. This new quota is much less than our 1989-1991 sales of barley and malt of 188,000 metric tons. Mexico can apply a tariff of 128 percent on barley and 175 percent on malt imports above the quota. The quota will increase three percent a year, and the duty will be phased out over 10 years.

Dairy is another good example of how NAFTA does not mean free trade. Canada would be an excellent market for North Dakota milk. But Canada has continued the same no-sales-whatsoever dairy policy under NAFTA as it did under the Canadian "Free" Trade Agreement. That's right. Under NAFTA we can't sell any milk to Canada. Moreover, the Mexican duty-free access for milk powder under NAFTA will be less than our present market and puts on a new 139 percent tariff on sales over that amount. A new 20 percent Mexican tariff on cheese has been added, to come down over 10 years.

Another example is wheat. Mexico has imposed a new five percent addition to the existing ten percent tariff on durum wheat and imposed a new fifteen percent tariff on all other wheat, in exchange for the abandonment of the free CONASUPO import license. It's indeed ironic that while Mexico raises its tariffs on U.S. wheat, the U.S. is subsidizing sales of wheat to Mexico with Export Enhancement program payments.

Why aren't these new tariffs and restrictive quotas better known to the press and public? I would hypothesize that it is because the Mexican tariff schedule book in which this all appears is printed solely in Spanish. As a very indifferent student of Spanish at Mandan Senior High School in 1962-63, you can imagine my dismay as I started to dig into NAFTA and pulled our the volume marked "Schedule of Mexico", only to find it was all in Spanish! This makes one suspect that widespread awareness of the Schedule was not strongly sought by the negotiators.

The Second Big Myth of NAFTA rhetoric is that it is good for agriculture in the long term. Proponents argue that NAFTA's long term benefits will outweigh any short term problems. I'd like to first examine this argument from the perspective of a Commissioner of Agriculture who feels a strong sense of responsibility for the farmers now trying to eke out a living in my state.

My problem is that in the "long term", the farmers for whom I am fighting may no longer be here. The restrictive sales opportunities over the next 10 or 15 years may push many farmers over the edge. Many North Dakota farmers are hanging on by a thread. The farm crisis of the 80's hasn't ended for them. In the last five years, they have suffered at least four years of weather disasters. They can't afford screw-ups by themselves or others. And by "others" I mean negotiators, Senators

and Congressmen. It's life or death. They want to grow crops and livestock and they want and need to sell their products now, at a fair price, not sold or bargained away for long term hypothetical advantages.

But short term or long term, NAFTA's benefits to agriculture have been grossly oversold.

The following chart shows what USDA projects the annual net gains to various commodities will be after the tariff phaseout period is over.

Commodity	Projected revenue increase	Percentage of 1991 U.S sales or cash receipts
Wheat	$30 million after 10 years transition	.5
Corn	$400–$450 million after 15 years transition	3
Soybeans	$400–$500 million after 10 years transition	4
Dry edible beans	$15 million after 15 years transition	3
Pork	$150–$200 million after 10 years transition	1.5
Beef	$200–$400 million	.8
Dairy	$200–$250 million after 15 years transition	1.4
Rice	$10–$20 million after 10 years transition	2
Tobacco	$90 million after 10 years transition	3

For wheat, it is one half of one percent, for corn three percent, for soybeans four percent, for beans three percent, for beef eight tenths of one percent, for dairy one and four tenths percent, for rice two percent and for tobacco three percent. These long term benefits can only be characterized as trivial and conjectural.

The value of soybeans (the big "winner" with a four percent increase after ten years) fluctuated twenty-eight percent in value last year according to Chicago Board of Trade data. It is fair to say that daily market savings or daily currency fluctuations in each of these commodities exceed the projected "benefit" of NAFTA in the long term.

Mexico is a growing market. The Foreign Agriculture Service reports that between 1986 and 1992 bulk commodity sales to Mexico rose three hundred percent, intermediate product sales rose by two hundred and fifty percent and consumer orientated food products rose by over seven hundred percent. These export increases were made before NAFTA, and are based on internal, sensible Mexican policy changes as well as better marketing efforts by U.S. companies.

The paltry, puny projected "benefits" after NAFTA are a reason to reject NAFTA, not accept it.

The Third Big Myth of NAFTA rhetoric is that the downs ides to free trade are just minor. Not so. Let me give just one example: cattle health.

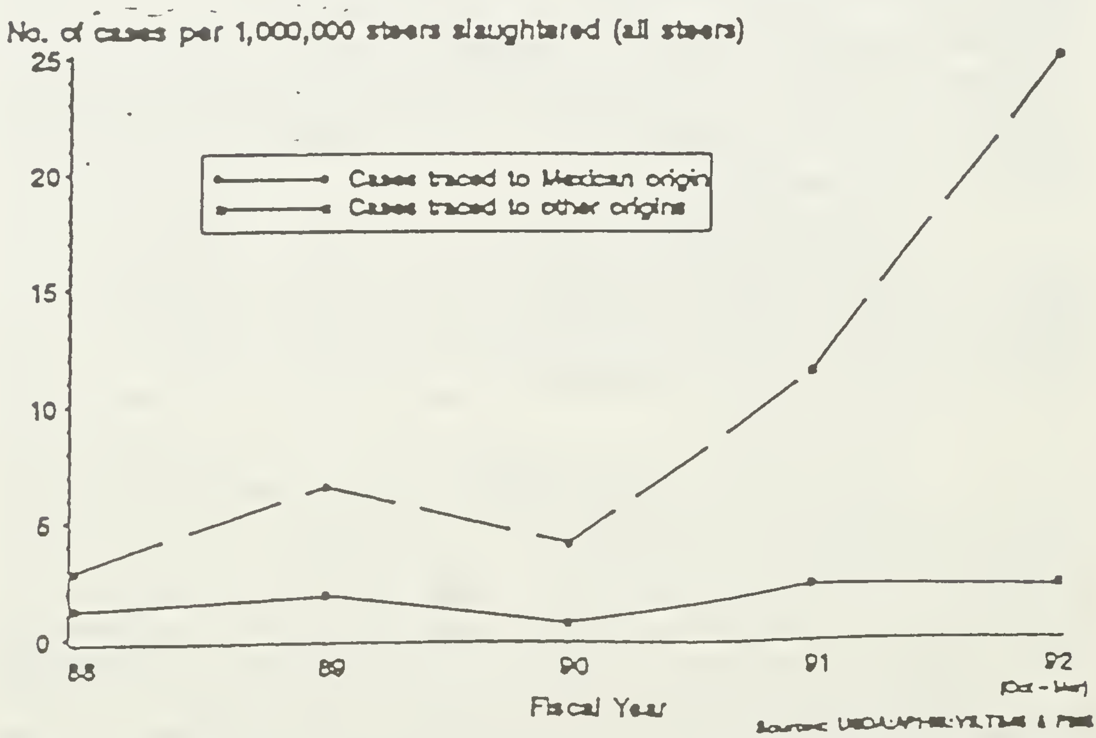
The second largest source of farm income in North Dakota after wheat is cattle. We don't have large corporate feed lots. We don't have corporate farms. What we do have is thousands of small and medium sized cow-calf producers who produce feeder cattle that are of superb genetics and health. Mexico now exports over a million head of feeder cattle to the U.S. that compete directly with us. Right now we get a premium because of superior health, but it may not always be this way.

Tuberculosis used to be a dreaded disease in the U.S. with sanatoria throughout the country. The disease has now virtually been eradicated through immense efforts by public health professionals and farmers and ranchers. In 1918, almost 5 percent of U.S. cattle were positive to TB; in 1990 it was .015 percent. Our progress on this dread disease has stalled, due to imports of Mexican steers.

North Dakota is one of 40 states in the U.S. that have been certified tuberculous free in cattle.The status was hard to obtain and is easy to lose.If only a single infected herd is found, our tuberculous free status is suspended and if two or more are found in a 48 month period it will be revoked. Obviously, only a few head of infected cattle will be costly even to owners of healthy cattle.

USDA's veterinary service has called Mexican steers the most "formidable" issue concerning exposure potential to bovine tuberculosis in the U.S. In the summer 1993 Animal Health Insight, APHIS reported in 1988, only seventy T.B. cases were found in the U.S. but, as imports of steers from Mexico increased, the number jumped to 224 cases in the first six months of 1992. Ninety-two percent of these confirmed cases were of steers from Mexican origin. The attached chart illustrates this alarming trend.

Confirmed M. bovis Case Rate in Steers from Regular Slaughter
Mexican vs. Non-Mexican Origin



Because of this alarming growth, North Dakota has adopted a special rule that requires supplemental testing by U.S. veterinarians before Mexican cattle can enter North Dakota, regardless of any Mexican test. This rule would be subject to challenge under the NAFTA rules as a barrier to trade. And, if it were challenged, the North Dakota Board of Animal Health could not intervene to defend the rule, nor would independent consumer or food safety experts be allowed to intervene.

This leads me to the Fourth Big Myth of the NAFTA rhetoric: that the Agreement has safety net features to protect our economy, our health and our environment. Opponents are called "alarmist"; well, I am alarmed and appalled by the dispute resolution process.

Nowhere in the text, or the footnotes or the annexes of NAFTA is there any procedure for a state to intervene to protect or explain its laws, should those laws be challenged under NAFTA. One of the public policy choices our North Dakota people have made is to ban corporate farming and this ban has been upheld at the U.S. Supreme Court. As I read NAFTA, if a Canadian or Mexican life insurance corporation wanted to invest in North Dakota farm land, our law could be challenged. And if it were challenged, the state has no means to directly defend it.

In my office we have a program called "Pride of Dakota" which promotes the sale of North Dakota made products. This program as well is subject to challenge as an "advantage" based on domestic content and we have no means to protect it. The list could go on to cover a variety of sound, progressive state laws and regulations that could be snuffed out by a secret NAFTA dispute panel.

If I, as North Dakota Commissioner of Agriculture, hold a simple penalty hearing or adopt a simple rule, I have to open the hearing to the press and public. I must provide notice and opportunity to comment, and copies of any relevant material to anyone who asks. But under the NAFTA dispute process I can't attend a hearing or obtain copies of briefs, even if it is my own regulation being challenged. NAFTA dispute resolution processes are secret.

In North Dakota, our judges are elected and in the U.S. system they are confirmed (or not) by the Senate after exhaustive investigation of character. Courts are open under state and federal constitutions. Experts who provide scientific opinions in our courts are subject to strict rules and stiff cross examination. Under NAFTA, the "judges" will be ten trade experts from each country (usually big city corporate lawyers) who will operate in secret. They don't even have to disclose the briefs they receive or the names of the "experts" they select on scientific disputes.

When I went to junior high school, they taught a class called "civics". In high school, I took government. In college, I took numerous political science courses on federalism and other issues. In law school, I studied constitutional law and administrative and court procedure. (And by the way, I was a far better student in these classes than in Spanish.) The NAFTA dispute resolution process doesn't match what I was taught in these classes at all.

As a lawyer and a citizen, I care deeply about process. I once sued the U.S. government and stopped thousands of foreclosures by USDA because its foreclosure process was unconstitutional. But what USDA did then is nothing compared to the process you would authorize by adopting NAFTA.

The Fifth Big Myth of the NAFTA rhetoric is that it will result in a "level playing field". What nonsense. NAFTA is like a table with a flat top, but with legs on one side two feet high and legs on the other side six feet high. The top of the table is flat, but it sure as heck isn't level.

An important part of my job as Commissioner of Agriculture is to enforce pesticide laws. My office conducts over one thousand inspections annually on farmers, commercial applicators and chemical dealers. Our law is strict and we have strict enforcement to assure safe food for consumers, to protect the health of the applicator and farm workers, and to protect our soil and waters. We also run a program called "Project Safe Send" to pick up and legally destroy banned and hazardous agriculture chemicals. Last year at a cost of $450,000, we picked up forty tons of banned, hazardous or unusable pesticides, including over five thousand pounds of DDT.

If NAFTA passes, I will be in a quandary. I will continue to enforce the pesticide laws and to pick up banned chemicals. But, how do I explain to farmers that strict enforcement of our laws is essential to consumer food safety and how do I explain to the legislature that "Project Safe Send" should be continued when Congress will subject these farmers to competition from Mexico where DDT is legal and pesticide laws enforcement is virtually non-existent.

This issue of a "level" playing field is a very serious point, not just for agriculture but also for labor and small businesses. The U.S. has adopted numerous laws governing agriculture, the environment, wages, and work conditions. Each of these carries a cost. In North Dakota, we require a minimum wage, social security deductions (especially if we want to be in the Cabinet), worker's compensation deductions, overtime, safe working conditions, and other similar requirements—all of which I support as sound public policy.

If the State of North Dakota advertised that businesses should move to North Dakota because our average wage was one dollar an hour, including benefits, we would have an army of Department of Labor, OSHA, and Social Security enforcers jump on Northwest Airlines to fly out to North Dakotan to put folks in jail. When the State of Yucatan recently proposed the same thing in advertisements in U.S. newspapers, our enforcement agencies sit by and some policy makers applaud "economic development" for Mexico.

The Sixth Big Myth of NAFTA rhetoric is that opponents don't take a balanced view.

I have been accused of being "unbalanced" about NAFTA. Not so. I have evaluated the positives, as well as the negatives. I see positives for processed food products (like pasta) and food ingredients; I see positives for sunflowers and other oilseeds; I see positives for purebred cattle and hogs. I'm the President of the Mid-America Agri-Trade Council,composed of twelve midwestern states, and I'm working hard to expand sales of high value food products and cattle to Mexico, as well as Canada. Yet, when I balance these positives with the negatives I am convinced that on balance this version of NAFTA should be rejected.

I urge this Committee to treat this version of NAFTA as a first draft. We can strike a better balance. It avails a farmer little if his sunflowers increase marginally in value, while his wheat, barley, beans and sugar crop lose value and his cattle become tubercular. It avails a farmer little if her husband's off farm job moves to Mexico in search of one dollar an hour wages. It avails a farmer little if he can't even deliver the purebred bull he sells to Mexico in his own truck, because it has to change to a Mexican vehicle and driver at the border. It avails a farmer little if her property taxes go up because the Red River Valley's one billion dollar sugar industry goes down. It avails a farmer little if consumers in America lose confidence in the food supply.

No—I think I'm pretty balanced about this version of NAFTA.

A few days ago, I was having a disagreement about NAFTA with a fellow midwestern agriculture commissioner who favors NAFTA. The conversation came to an abrupt halt when I said, "I've read it, and I don't like it. You like it, have you read it?"

To conclude, based on what I've read and researched, I urge you to reject this version of NAFTA. On the positive side, I urge you to work closely with the Mexican government to expand trade and to equalize food safety, environmental and worker protection rules. I urge you to commence negotiation with Mexico to enter into a better trade agreement that "Puts People First".

Proponents of NAFTA argue that if we reject this version, the boat will leave the dock. I say that this version of NAFTA is the Titanic—let it go! We can get to our destination of expanded trade opportunities and a better life for the people of Mexico, Canada, and the U.S. faster and in better shape on a different, better boat.

Thank you for the opportunity to be here today.

Senator DORGAN. Thank you very much. Let me ask a couple of questions, and then turn to my colleague, Senator Danforth.

John Maynard Keynes used to say, "In the long run we are all dead," so when you described the potential benefits for this agreement as being in the long run, I would like to ask you about the long run benefits. You say on page ten of your testimony, that even if everything would go as is advertised with this agreement, the long-run potential advantage for wheat would be five-tenths of 1 percent over 10 years, at the end of 10 years, in transition, is that correct?

Ms. VOGEL. That is correct. Those figures are from USDA, in September 1992, and, obviously, USDA, in September 1992 was trying to promote the adoption of NAFTA. Senator, I have a position paper which I think your office has. I would like to have it entered into the record. I have citations for all of these numbers that I am using.

[The information referred to may be found in the committee files.

Senator DORGAN. Tell me about the support of the Commissioners of Agriculture organization that Senator Danforth referred to.

Ms. VOGEL. Yes. I think it was back last September, before the text of NAFTA came out or at least before it was available, that the Commissioners of Agriculture had a meeting—which I was not at. They passed a resolution supporting NAFTA. That support obviously was done blind, because the agreement was not available for review.

In February, I was successful in getting the organization to do a reexamination of that support. NASDA sent out a USDA handout on the benefits of NAFTA, to the various States, and asked the States to comment. I think about 20 States did respond. Many of the States have concerns.

The ones that come to mind are Montana and many of the southern States. Most of the States have some concern or another, and only 20 out of the 50 did respond.

Senator DORGAN. So, this was before there was an agreement.

Ms. VOGEL. Yes.

Senator DORGAN. So, what were they supporting?

Ms. VOGEL. The rhetoric.

Senator DORGAN. Is there a distinction and a useful distinction to be made between something that, as is said in the Commissioners of Agriculture statement, they say is good for the agricultural industry, versus family farmers?

Ms. VOGEL. Senator, I believe that there is. I just saw this morning the press release on who is going to do "Ag for NAFTA": Ralston Purina, the Grocery Manufacturers Association, groups like that.

Senator DORGAN. For agriculture?

Ms. VOGEL. Well, they say so. I do not say so.

Senator DORGAN. It is part of the agricultural industry.

Ms. VOGEL. Well, food, fiber, and agriculture. But I do not consider the Grocery Manufacturers of America to represent family farmers.

Senator DORGAN. Well, that is the question I am asking you. Is there a distinction between the interests of family farmers versus the agricultural, or what is commonly referred to, as the agricultural industry? Do the interests always run parallel——

Ms. VOGEL. Good gracious, no.

Senator DORGAN [continuing]. Or do they ever run parallel?

Ms. VOGEL. Occasionally they do, but not always.

Senator DORGAN. In trade agreements, do you think they do?

Ms. VOGEL. No. No. I think that NAFTA clearly benefits manufacturers who can move processing facilities to Mexico to take advantage of the low wages, who can take advantage of investments in Mexico.

Senator DORGAN. And that is not in the interest of family farmers, in your judgment.

Ms. VOGEL. No. Potatoes would be one example. We have a nice potato processing industry in North Dakota. Sugar is even a better example. The sugar processing jobs pay $12 to $14 an hour. It is one of the biggest employers in the State.

Well, under the North American Free Trade Agreement, within 3 to 7 years, the expectations are that the sugar industry could be crippled, if not eliminated. All those jobs would then be lost.

Potato production can occur in Mexico. The processing jobs would follow, would go down there. Meat packing is the same.

Senator DORGAN. But is that not under the umbrella of the word "free"? I mean is that not fine? I mean, "Free lunch, free loaf, free trade, free access"—is that not something that someone who represents family farmers would think is good?

Ms. VOGEL. No.

Senator DORGAN. Senator Danforth.

Senator DANFORTH. Commissioner, I thank you very much. In 1989, which was the first year of the Canadian Free Trade Agreement, the United States had an agricultural surplus with Canada of $8.7 billion. That increased to $11.5 billion in 1992. Would that indicate to you that the Canadian Free Trade Agreement has been beneficial to agriculture?

Ms. VOGEL. Senator, do you define the agriculture as including processed foods?

Senator DANFORTH. Well, I define it the way the Department of Commerce's U.S. foreign trade defines it, however that is, "The U.S. agricultural trade balances with individual countries, domestic and foreign, merchandise, FAS, general imports, customs, millions of dollars." I do not know who defined it. I am just reading from the chart.

But their point is, I mean their statistics show, if this chart means anything at all, that with respect to Canada, there has been a dramatic increase in the U.S. surplus that we have had with Canada. We used to have a—I am sorry. I am reading from the wrong line. I apologize.

We had in 1989 a deficit of $423 million with Canada. In 1992, it is a surplus of $1.4 billion. So, I was reading from the wrong line. In any event, we have gone from a deficit to a surplus, and a pretty good surplus, in that period of time.

I mean if the chart means anything, it would indicate to me that the free trade agreement with Canada has been beneficial for agriculture.

Ms. VOGEL. Senator Danforth, I would have to disagree with that, because I do not think you can see agriculture as such. I think we have to look at segments.

I do believe those numbers would include processed food products. And I, by the way, am trying very hard to sell processed food products into Canada. I was a cosponsor of the first ever processed food show in Canada. We go to Winnipeg all the time with our companies.

But if we are talking actual agriculture, as in farmers, I think that what we will see is that there were serious defects in drafting the Canadian Free Trade Agreement. The recent panel dispute on durum is an illustration of that.

Who would have ever thought that the acquisition price to the Canadian Wheat Board would only include the first payment, not the second, and not the third, and not transportation costs, and not fees and charges, and not overhead?

Senator DANFORTH. But can I just—I do not know about the durum thing, and——

Ms. VOGEL. Well, that is one of our big issues.

Senator DANFORTH. Oh. I know it is. I know. But I would have thought that the object of agriculture would be try to sell food abroad.

Ms. VOGEL. Well, yes. We would like to. For example, the Canadian Free Trade Agreement does not allow a quart of milk to go to Canada. At a recent trade show, when I went up with a multipurpose brochure listing various North Dakotan food products that we used at a couple of trade shows, somebody from Ag Canada came to our booth to tell us that we could not sell cottage cheese. We were not. But we had a piece of paper that had a picture of cottage cheese on it, and we got a visit.

Senator DANFORTH. Is your argument that the Canadian Free Trade Agreement was basically a protectionist document, as far as Canada is concerned, and the——

Ms. VOGEL. In some——

Senator DANFORTH [continuing]. Effect then is to shut out American agriculture, that we have done less well with Canada, because of it?

Ms. VOGEL. In some respects, yes.

Senator DANFORTH. Well, I am talking about——

Ms. VOGEL. It does not provide for free trade.

Senator DANFORTH. I am talking about numbers here, Commissioner.

Ms. VOGEL. Oh.

Senator DANFORTH. I mean we have gone from deficits to significant surplus with Canada in whatever this document calls U.S. agricultural trade balances during the period of the Free Trade Agreement.

I mean I cannot—I really cannot compete with you on discussing, say, cottage cheese, or some meeting that you attended, but the net effect of that clearly has been an increase in agriculture trade surplus, a movement from deficit to surplus with Canada; has it not?

Ms. VOGEL. Senator Danforth, I would rather respond by using an analogy my father uses every once in a while. It has to do with statistics and averages. If you are in a small kitchen, and you put your head in the oven, and your feet in the freezer, a statistician would say on average, you are comfortable. On average, North Dakotans are not comfortable with the Canadian Free Trade Agreement.

It has hurt our barley. It has hurt our beef. It has hurt our durum, certainly. Many of those problems are because it was not drafted properly. There were no public hearings.

We did not have a chance to put in our points of view. We believe that the North American Free Trade Agreement and the Canadian Free Trade Agreement could be better.

And I think that the North American Free Trade Agreement should have corrected some of the difficulties with the Canadian Free Trade Agreement.

Senator DANFORTH. Well, Commissioner, I am sure that there is nothing in life that could not be better. But that, to me, does not mean that the net effect has not been beneficial. I think that it statistically has been beneficial.

Can I ask you one or two other things? Do you not believe that—I have always believed that the American farmer is the most productive in the world——

Ms. VOGEL. I agree.

Senator DANFORTH [continuing]. And that if the American farmer is able to compete in international markets, we can do very well in international markets. I have always believed that it is in the best interests of our farmers to be able to export.

Ms. VOGEL. I agree.

Senator DANFORTH. Now, the licensing, import licensing arrangements that Mexico now has, is clearly detrimental to American farmers; is it not?

Ms. VOGEL. No. Not always. When they are short of a crop—generally, for example, with beans, we had 90,000 metric tons of beans exports between 1989 and 1991, on average.

Senator DANFORTH. Is that dry beans?

Ms. VOGEL. Yes. Dry edible beans. Under NAFTA, it will be 50,000 metric tons, or a tariff of $480. That is going to cut off trade, not increase it.

Senator DANFORTH. Well, the theory of the tariffication of the licensing is to convert the licenses into something that is numerically quantifiable, and then to phase it out.

So, it is a mechanism for phasing out the trade barriers. But let me just ask you this: You do not argue, do you, that the idea of the import licenses of Mexico is a good idea for American agriculture?

Ms. VOGEL. Senator Danforth, had they taken the 1989 to 1991 average of sales through import licenses, and increased that amount over time, I would probably have a different attitude. But

when you reduce the access, and increase tariffs, I have a lot of problems with that.

Senator DANFORTH. Well, the import licenses are being eliminated; are they not?

Ms. VOGEL. Yes. But the new tariffs are prohibitively high. These new tariffs will end our access over 50,000 metric tons on edible beans.

Senator DANFORTH. In 1991, our exports were 38 million metric tons; is that correct?

Ms. VOGEL. I just have the average——

Senator DANFORTH. 38,000 metric tons.

Ms. VOGEL. Look at the year before.

Senator DANFORTH. But look at 1991.

Ms. VOGEL. Beans store. I mean our farmers were fairly comfortable with the import licensing. Our sales were increasing. If we assume that Mexico is going to be more liberal about allowing tariff-free access, why does not the agreement say that?

In addition, we have had an import licensing system for wheat. Wheat has a 15-percent tariff. Why do beans have a 139-percent tariff? Why does barley have a prohibitive tariff of over 100 percent?

When I tried to find out where these new tariffs came from, I assumed there would be some kind of a formula. There is not. There is not any formula in the agreement. As far as I can tell, all these numbers were picked out of thin air, thin air.

Senator DANFORTH. Let me raise just one other issue with you. You do not contend, do you, that bona fide health and environmental regulations imposed by the United States are going to be no longer allowable under NAFTA?

I mean you do not contend that sick and contaminated animals are, without restriction, going to be flooding across American borders. That was the message I got from your testimony.

Ms. VOGEL. Senator Danforth, I think sick animals are coming across the Mexican border right now. The question is: What can a State do to stop it?

A State can impose a regulation like we have done in North Dakota. However, to justify it under the North American Free Trade Agreement, we are going to have to provide statistical analysis. I have talked to the Board of Animal Health. They did not do any statistical risk analysis.

Senator DANFORTH. It is reasonable, though, is it not, Commissioner, to say that if you have something that purports to be a health restriction, it must be a bona fide health restriction.

We have seen how the Europeans act, have we not? I mean we have seen how the Europeans operate, which is to impose things that are said to be health restrictions, in order to just serve as a guise to keep out imports from the United States.

Ms. VOGEL. Yes. That is the case. My difficulty is with the precise language of article 712. It says things like each party can only adopt standards that are "necessary." It further says that each party shall "ensure" that any sanitary measure it adopts will be only to the extent "necessary" to achieve its "appropriate"—what does appropriate mean—level of protection, "taking into account technical and economic feasibility."

Further, in article 715 it says, "No party will adopt any sanitary, federal sanitary measure, with a view to, or the effect of creating a disguised restriction in trade." Now, that is quite a different standard, Senator, than your statement about bona fide standards.

Senator DANFORTH. Well, that——

Ms. VOGEL. The actual NAFTA language creates quite a few more hoops than a simple "bona fide" standard.

Senator DANFORTH. I do not agree with your characterization. I mean I just do not think you are correct in saying that. I think that what you have just read is exactly what the policy should be. The policy should be as stated.

In other words, you cannot have something that flies under the flag, that sails under the flag of health restrictions, and that is an unreasonable restraint on trade. It has to be bona fide.

Ms. VOGEL. I would disagree. The language "bona fide" would mean something different than the language I just read.

But in any event, Senator Danforth, if our requirement of a health examination by U.S. veterinarian were challenged, why is it that the State board of animal health cannot appear on a dispute panel? Why is it that it cannot get a copy of the briefs that the U.S. Trade Representative would be filing on the challenge? Why is it that we cannot find out who are the scientific experts that are selected?

Under the Canadian durum panel dispute, I tried to get a copy of the brief that the U.S. Government filed purportedly on our behalf. It is secret. There is no justification for this. None. We are talking about disputes over tomatoes and commodities. These are not State secrets.

Senator DANFORTH. Call your Senator. Thank you very much.

Senator DORGAN. She has, actually. Senator, thank you very much. Before we go on, and I do want to go to the next panel, I do not want the time to pass without addressing the following question: Was the Canadian Free Trade Agreement beneficial to agriculture? Was it beneficial to family farmers?

It seems to me you could increase the shipment of boxes of cereal to Canada, which contain 10 percent of grain, and 80 percent of puff, or whatever else is in the box, and represent that as an agricultural export to Canada, but that really provides precious little benefit to farmers, because they get so little of the box of cereal.

I have three charts I want to show you. I brought them, because if the Canadian issue came up, I wanted everybody to understand the sore spot we have about how the Canadian agreement affects family farmers.

Durum wheat from Canada—here is what has happened. Here is the free trade agreement. Does anybody think this is some genuine historical accident, that our market has been targeted so that 20 percent of domestic consumption of durum now comes from Canada, and we run a surplus of durum?

This is done, despite the promise, in writing, by Ambassador Yeutter that this would not happen. He said the representation of good faith we have with the Canadians from this agreement will be that we will not see increasing quantities of grain moving across the border. Not contingent, not conditional on anything, just a promise in writing from the Ambassador.

Spring wheat. You will see what has happened in spring wheat. An accident? I do not think so. Targeting the American marketplace. Barley. An accident? No.

Does it abridge the promise that was made to us? Of course. Does it hurt family farmers, to see 20 percent of our durum market gone, because of exports that are deeply subsidized, and fundamentally unfair? Beneficial? Probably to the food processors, in my judgment. Beneficial to family farmers? Never. It is terribly detrimental, in my judgment, to those who raise durum, barley, spring wheat, and others.

So that is a debate we will have. I respect the Senator's views. And this debate on Canada will rage on, in my judgment, until finally the problem is solved. Commissioner Vogel, thank you very much for your testimony.

Ms. VOGEL. Thank you.

Senator DORGAN. Next we would like to call the president of the National Farmers' Union, Leeland Swenson.

We will make your entire statement a part of the permanent record and ask if you would summarize your statement for us, please.

STATEMENT OF LEELAND SWENSON, PRESIDENT, NATIONAL FARMERS UNION

Mr. SWENSON. Thank you, Chairman Dorgan.

As you stated, my name is Leeland Swenson. And as president of the National Farmers Union, on behalf of the 250,000 farm and ranch families who sustain their operation by the value——

Senator DORGAN. I would ask people to take seats so that we can hear the witness.

Go ahead.

Mr. SWENSON. On behalf of the 250,000 farm and ranch families who sustain their operation by the value of the commodities of which they produce, and because of this deteriorating and eroding situation, now many by all-farm income, I commend you for holding this hearing and I appreciate the privilege to appear before you.

And I will offer not only my written testimony, but a study that we have done labeled "The American Family Farmer an Orphan" for the record and will summarize, if I may.

The National Farmers Union has taken a strong position in opposition to the current North American Free Trade Agreement. And I am here today to reinforce that position. It bases its opposition to NAFTA, not on opposition to international trade and trade agreements in general.

And I hope that the chairman will note I did not say free trade. We do not support—we do not believe there is such a thing as free trade. It is an absolute folly to believe that it ever will exist.

The Farmers Union encourages trade. It opposes poorly negotiated trade agreements, which, one, leave affected parties out of the negotiation process and, two, victimizes entire segments of American society. And we believe that the proposed NAFTA agreement does both.

We base our opposition on historical facts. The fact is, the existing Canadian Free Trade Agreement, which has already been referred to in the previous testimony and by you as chairman.

The development of the Canadian Free Trade Agreement left production agriculture out of the loop with the assurance that family farmers would be taken care of and should not worry. That assurance was empty. American family farm agriculture was left out, like an orphan on the doorstep, and family farmers were victimized.

The report that I mentioned clearly shows that the Canadian Free Trade Agreement has actually been a severe detriment to family farmers and has a strong potential, if not an actual history, of being a cost to the American taxpayer.

The errors in the Canadian Free Trade Agreement which cause American farmers to receive lower prices for their commodities and allow Canada dumping privileges onto the U.S. market are actually made worse under the proposed North American Free Trade Agreement.

Those who negotiated the North American Free Trade Agreement repeated and, indeed, worsened the mistakes made by the negotiators within the Canadian Free Trade Agreement.

We opposed the Canadian Free Trade Agreement because we saw the pain that would be endured by American family farmers. We oppose NAFTA because of its potential for further harm to family farmers and because of proof positive that the position of the National Farmers Union on the Canadian Free Trade Agreement was accurate and justified.

I draw your attention, Mr. Chairman, in the study that we have put together for you: The example of Canadian exports of wheat—and you have pointed it out by your charts—but all wheat since the Canadian Free Trade Agreement has increased in imports to the United States 76 percent from Canada; barley, 213 percent; durum wheat, 138 percent.

And we say: "Does this statistic mean that it has been good for agriculture of the balance of trade with Canada?"

Mr. Chairman, I share with you that the average wheat price in 1990 for American producers was $3.72. In 1991, it was $2.61. That $1, a statistical difference, is real dollars out of the pockets of American wheat producers.

That is $1 less with which to repay the Farmers Home Administration. That is $1 less with which to pay off the Farm Credit Administration. It is $1 less to spend in the rural community.

That is the real statistic of the impact of the Canadian Free Trade Agreement on the value of commodities received by the American producer and the impact it has in the rural community.

Wheat, durum, and barley could be costing the American taxpayers money and jeopardizing farm programs by being exported under the Export Enhancement Program, as no end-use certificate program is in place. And blending with U.S.-produced product can easily be done at the point of delivery.

I point out to you another chart. We have mainly focused on wheat in the previous discussion, but sugar products—sugar products exported to the United States since 1989 have increased 3,021 percent. And I state that again, 3,021 percent.

In fact, it is to the point where Canada now is exporting 90 percent of its domestic sugar production to the United States.

We could go on to talk about peanut production, peanut paste and peanut butter that has now moved into the United States, has gone up 567 percent; when you take into consideration that Canada produces minimal, if no peanuts at all. Well, the attached report contains the references.

In regard to livestock, we have seen the number of feeder cattle imports swell tremendously under the Canadian Free Trade Agreement. And I can point out that the pork producers have literally spent hundreds of thousands of dollars defending the economic impact of the flood of pork from Canada into the United States.

Mr. Chairman, we have documented the problems of the Canadian Free Trade Agreement that were not addressed by the previous administration, as promised, because they gave away in the negotiations all the leverage which could return Canada to the negotiating table.

Only recently have we seen the leadership of the Clinton administration looking at a section 22 on the peanut paste and peanut butter imports and the usage of EEP with Mexico to try to bring Canada back to the table to begin the corrections.

The GATT, the agricultural section of NAFTA, has failed to be recognized for its major flaws, which will victimize the greater number—a greater number of commodities than what we have already seen within the Canadian Free Trade Agreement, fruits and vegetables and other commodities as well. American family farmers cannot afford to be orphaned again.

Thank you, Mr. Chairman, and I would be glad to answer any questions.

Senator DORGAN. Mr. Swenson, thank you very much.

[The prepared statement of Mr. Swenson follows:]

PREPARED STATEMENT OF LEELAND H. SWENSON

Mr. Chairman and members of the committee, Thy name is Lee Swenson, and I am president of the National Farmers Union (NFU). On behalf of our 250,000 family farm members, I want to thank you for the privilege of appearing in here in their behalf today.

The National Farmers Union has taken a strong position in opposition to the current North American Free Trade Agreement (NAFTA). I am here today to reinforce that position. Farmers Union bases its opposition to NAFTA not on opposition to international trade and trade agreements in general. Farmers Union encourages trade. It opposes poorly negotiated trade agreements which: 1) leave affected parties out of the negotiation process; and 2) victimizes entire segments of American society. The current NAFTA does both.

National Farmers Union does not base its opposition to NAFTA on the fear of a document which has not yet taken effect. NFU bases its opposition on historical fact. That fact is the existing Canadian Free Trade Agreement (FTA). The development of the FTA left production agriculture out of the loop with the assurance that family farmers would be taken care of and should not worry. That assurance was empty. American family farm agriculture was left out, like an orphan on the doorstep, and family farmers were victimized.

I ask that the text of a report entitled, "THE AMERICAN FAMILY AS AN ORPHAN," and attached to my testimony, be entered into the record.

This report shows clearly that the FTA has actually been a severe detriment to family farmers and has the strong potential, if not the actual history, of being a cost to the American taxpayer.

The errors in the FTA which cause American farmers to receive lower prices for their commodities and allow Canada "dumping privileges" onto U.S. markets are actually made worse in NAFTA. This fact is an indication of what happens when only the sides which benefit from an agreement are allowed to be a part of the negotiations, and those which might be hurt are locked out.

Those who negotiated NAFTA repeated, and indeed worsened, the mistakes made by the negotiators of the FTA. National Farmers Union opposed the FTA because of the potential pain it could cause family farmers. Now NFU opposes NAFTA because of the potential it has for further harm to family farmers, and because of the proof positive that the NFU position on the FTA was both accurate and justified.

For example, Canadian exports of wheat and durum have risen dramatically even though American prices have fallen, driving producers to the brink, if not over the edge, of bankruptcy.

Wheat, durum and barley could be costing American taxpayers money and jeopardizing farm programs by being exported under The Export Enhancement Program (EEP).

Canada is able to export vast quantities of grain to the U.S. while providing no market for similar goods from American producers.

Sugar exports from Canada to the U.S. in the form of "select sugar-containing products" are all but equal to the total annual Canadian sugar production. The increase in export of these products has increased by over 3000 percent in a few short years. This increase places the U.S. sugar program in danger of being eliminated because of potential cost to taxpayers. Keep in mind that there are few if any tax dollars used currently in the sugar program.

Exports of products which are not grown in Canada, namely peanuts, are finding their way into U.S. markets through Canada. Like sugar, these products are placing U.S. programs at risk and threatening the future of American family farm producers.

The attached report contains references to livestock as well as to the commodities I have mentioned. In every case, the trend is the same. Canada has used the FTA to its advantage and to the detriment of American family farmers.

Canada has long been one of our closest friends, allies and trading partners. If the trade agreement with this friendly nation has caused all the problems I have mentioned in the area of agriculture alone, what can we expect from a weaker agreement which allows Canada and an unknown quantity, Mexico, even greater supremacy over American family farmers.

Since the inception of the FTA, American farmers have continued to leave the land at rates comparable to those at any time in history. While the FTA alone is not the only cause of this exodus from rural America, it is a contributing factor as the attached report clearly shows.

The proud tradition of American family farm agriculture is in as much jeopardy now as it has ever been. This is with only one bad trade agreement, the FTA, in place. The addition of other trade agreements that do not allow for input from family farm agriculture will only worsen the situation.

To reiterate, National Farmers Union is not against trade or trade agreements. NFU is opposed to agreements which keep family farmers from having input as was the case with the FTA and is the case with NAFTA. NFU is opposed to agreements which victimize family farmers as is the current situation under the FTA and will be the situation under this proposed NAFTA.

AMERICAN FAMILY FARMERS CANNOT AFFORD TO BE ORPHANED AGAIN.

Thank you, and I will to answer any questions.

["The American Family Farmer an Orphan," by Allen Richard, Legislative Representative, National Farmers Union, may be found in the committee's files.]

Senator DORGAN. Next, we will hear from Benny Bunting who is the farmer-director of the National Family Farm Coalition. Mr. Bunting.

STATEMENT OF BENNY BUNTING, FARMER-DIRECTOR, NATIONAL FAMILY FARM COALITION

Mr. BUNTING. Thank you.

I am here as a producer of peanuts in an area that we have section 22 as a protection for our farmers. Our farmers have been insulated by that program. NAFTA will eliminate that program.

Peanuts are supported at $640 a ton, basically. What was called the free trade price would be about $350 a ton. That will be below the cost of production for peanuts in our area.

In North Carolina, for our tax base, we pay on our land values. Land values are high because of our programs that we grow, which would be peanuts, cotton and tobacco.

We also pay an additional tax that is based directly on the value of those commodities. The NAFTA agreement will eliminate those programs for our State. Our tax base will be dramatically eroded.

What is going to happen to our governmental agencies, our education, our police protection? To me, we will be drastically affected, negatively, by NAFTA.

The grain farmers—the statistics I read say that the United States already has 94 percent share, market share, of all cereals going into Mexico. We have 87 percent market share, already, of all feed grains going into Mexico.

Where is this huge market that everybody keeps talking about that is going to increase for our farmers, grain farmers? It is not there.

Mexico now—50 percent of all of their land is for corn—75 percent of their farm income is from corn. What is going to happen to those displaced farmers? There is no market for ours unless we go in and take theirs away. Then they are going to be growing the peanuts, the tobacco, the cotton that is coming into our areas.

These side agreements that keep coming in on the rules of origin—from my understanding, rules of origin was that a major part of all commodities to be labeled and moved freely within the three units. Canada, the United States, and Mexico would have a majority of a product from one of those areas.

Cotton was exempted. To go into the apparel industry, cotton can come in and float freely among all and not have a strain of cotton that was produced in the United States, Mexico, or Canada. What kind of potential effect does that have on our cotton producers in the area?

To me, this is a terrible agreement for rural America. We are now experiencing the natural disasters. And they create a lot of physical and financial hardship, but they also arouse a gigantic humanitarian rebuilding effort and our hope in the future.

NAFTA and GATT, as now proposed, would be, for the Southeast, a disaster unmatched by the likes of Hugo, Andrew, and the drought of 1993, because unlike those horrendous natural disasters, this would be a manmade, legislated catastrophe that would choke the hope of tomorrow and for the American family farmers. It is not a good agreement for local, rural areas.

I can agree that volume-driven industries would reap benefits. I cannot see our grain farmers, our cotton farmers, our peanut farmers, our tobacco farmers reaping any benefits from larger volume but lower prices that farming gave them.

Thank you.

Senator DORGAN. Thank you very much.

[The prepared statement of Mr. Bunting follows:]

PREPARED STATEMENT OF BENNY BUNTING

Mr. Chairman, I am pleased to testify on the important issue of agriculture and the North American Free Trade Agreement (NAFTA). I work with Farm Plan Advocates, one of the 39 member organizations of the National Family Farm Coalition (NFFC) spanning 32 states. I farm in Oak City, North Carolina raising poultry and growing shitake mushrooms. For most of my life, I have also raised peanuts and

hogs. I speak to you today about some specific issues of concern to the Southeast as well as issues affecting family farmers across.the country.

Today's media and political message that NAFTA is good for the U.S. economy is certainly missing the mark. Whether from an environmental, consumer, labor, or farmer perspective the current NAFTA text and the supplemental agreements thus far are devastating. Agriculture has been totally ignored during the supplemental agreement process. Despite then-candidate Clinton's promise that the NAFTA would not jeopardize family farmers, the many concerns raised by national family farm groups have been consistently ignored. In early March, NFFC raised concerns to Ambassador Kantor in two detailed letters. Meetings or briefings have resulted in promises but not action. I have enclosed a copy of each of the extensive letters for the record.

I speak as a farmer and a resident of a struggling rural community—one that is trying to maintain its education system, its infrastructure and its rural economy. When USDA and other economists calculate who wins and who loses under the NAFTA and the General Agreement on Tariffs and Trades (GATT) they seem to forget that there are people, jobs, and livelihoods behind the commodity export numbers. Faulty assumptions and faith in "trickle-down" economics is the basis of their glowing reports. I question where the new demand will come from when U.S. companies already have over 90 percent of the market share for feed grains alone.

Our failed feed grain policy is being exported to Mexico by the outspoken support of corporate agri-business. It is clear that they care more about the volume of exports, not by whom and how the product is grown. We assert that NAFTA is a direct extension of the Reagan/Bush agricultural and economic policies: increased concentration of land and production, continuing lower world commodity prices, lower food safety standards and the elimination of a country's capacity to determine its own agricultural programs and manage its own supply.

The NAFTA will displace farmers and their rural economic base in both Mexico and the United States. Since the Canadian government opted out of the agriculture section of NAFTA, Canadian farmers have a short-term reprieve on the future of their successful domestic supply management programs for dairy, poultry, and eggs. If a GATT agreement based on the Dunkel text is approved, it would end their programs as well. Those at greatest stake in this country and in the Southeast region are the producers of the commodities that have a sensible and workable farm program that is based on a producer contracting with the government to limit production in return for a stable price from the consumer. This is effective supply management. The government role is ensuring that it is fair.

Through the elimination of domestic price supports and import restrictions, NAFTA will force large numbers of farmers in all three countries to switch to different crops, leading to oversupply in some commodities, falling prices, and disrupted markets for the traditional producers of the alternative crops. Additional problems may arise from import substitution, in which a country replaces its domestic consumption of a product such as sugar or beef with cheap imports and exports its domestic production to the U.S.

Farmers who produce or raise peanuts, dairy, sugar, cotton, beef, fruits and vegetables will lose under NAFTA. NAFTA's real winners are multinational agribusinesses which benefit from increased access to low cost commodities, and increased capacity to establish contract growing and processing operations in Mexico for export.

NAFTA guts the Meat Import Act and Section 22 for the U.S. as well as remaining protection for Mexico1s most important domestic crop, corn, through the elimination of import restrictions. It supports tariffication of domestic support programs. It works toward the harmonization of sanitary and phytosanitary standards with those established by Codex Alimentarius and other international standards setting organizations with standards lower than those in the U.S., thus increasing the risk to the U.S. food supply. Under NAFTA rules of origin, it would be difficult, if not impossible, for consumers to distinguish foods produced under more strict standards from those produced under weak standards.

Section 22 commodities: Commodities such as dairy, peanuts and cotton, which were protected from imports by Section 22, will become vulnerable as Section 22 protections are converted to tariffs and phased out. NAFTA allows Canada to import peanuts from anywhere and then re-ship them processed as peanut butter to the United States without limit or duties. Mexico will be granted immediate access to the U.S. peanut market, with all import controls eliminated in 15 years. In the Carolina's the impact will be very dramatic. Farmers who have had peanut allotments have had some level of financial security amidst the declining farm-gate prices of other commodities. Our property tax base is directly tied to the value of the allotment and we in fact pay tax twice on it. We are able to earn a decent living,

so supporting our local economy is fine. But, my concern is the impact on our local tax base, curtailing government functions including education and crime protection by the loss of peanut quota production. This is in addition to the loss of manufacturing and other jobs.

Livestock and poultry: NAFTA will create five major problems for U.S. livestock producers.

1) NAFTA will preempt the Meat Import Act of 1979 which limits U.S. beef imports to protect U.S. producers from being put out of business by highly subsidized beef exports from Europe or by low priced beef from rainforest regions of Central and South America. NAFTA also specifically bans the use of voluntary export restraints in meat.

2) NAFTA immediately eliminates the tariff on feeder cattle imported from Mexico. Estimates project a doubling from current 1 million head to 2.33 million head.

3) NAFTA provides incentives for the U.S. meatpacking industry to locate its new investments in Mexico, where it will be able to take advantage of lower wages and less restrictive anti-trust laws. Excel, a subsidiary of Cargill, has already purchased a packing plant in Mexico. Because livestock feeding operations are closely associated with packing plants, the movement of meatpacking operations could also result in the shift of livestock feeding.

4) The movement of large corporate dairy operations from the U.S. to across the border to reduce their production costs ranging from salaries, food safety provisions, land costs and to avoid existing or improved environmental provisions in this country.

5) For poultry and hog producers, the integrators now use Mexico as a hollow threat to impose their low-return contracts. NAFTA could pose a serious threat to U.S. consumer confidence. Recent cases of tainted meat imports from Canada and beef infected with bovine tuberculosis from Mexico underscore this risk. Unless the government is prepared to dramatically increase its budget for border inspections, U.S. consumers will face declining quality and safety in the marketplace, perhaps resulting in reduced meat consumption. Reliable country of origin labeling of beef is virtually impossible, thus making it difficult to determine whether beef imported from NAFTA countries originates there or whether it comes from other regions, such as Central America.

Fruits and vegetables: Fruit and vegetable producers, especially those in California, Texas and Florida, but including others with specific crops such as asparagus in the Upper Midwest, will be heavily damaged by NAFTA's provisions. Some fruits and vegetables which overlap with Mexican produce have been left unprotected in the tariff schedules. This will result in the failure of those sectors and, where possible, conversion to other crops. Other vulnerable crops are those in which the movement of processing facilities and increased investment in Mexico could shift production patterns. These include frozen orange juice concentrate, canned tomatoes, and frozen vegetables, as well as some orchard crops, such as peaches.

Sugar: NAFTA offers Mexico the potential of unlimited access to the U.S. sugar market in six years if it can become a net sugar exporter for two consecutive years. Sugarbeet growers in the upper midwest and western states may have to stop planting or cut back on acreage devoted to sugar. Studies on the impacts of shifting sugar land into potatoes, wheat and other crops indicate that there would be a sharp rise in production, lowering prices. Land prices will decline when lower value crops are planted, leading to tax base erosion and possible bankruptcies.

Mexican basic grains: Mexican basic grain farmers will suffer disproportionately under NAFTA as they lose their supported corn price, which constitutes nearly 75 percent of their current farm income, and 50 percent of their cropland. Farmers will be forced to compete with cheaper grain from U.S. and other foreign suppliers due to our export-driven low loan rate corn policy. Large scale displacement of Mexican farmers, estimated at anywhere from 800,000 to 3,000,000 families, will result in increased migration to the U.S. with social problems created on both sides of the border. Credit access is threatened due to restrictions on land mortgages and exorbitant interest rates. Farm labor wages in the U.S. will be pushed downward as the number of workers increases while sources of employment decline, especially in sugar beets and fruits and vegetables facing competition with Mexico. Enforcement of labor rights for migrant workers will become even more difficult.

SANITARY/PHYTOSANITARY PROVISIONS

NAFTA understates the downward harmonization of food safety standards while developing the mechanisms by which it will occur. NAFTA allows states and nations to have higher standards. However, if challenged, these must be defended on scientific grounds and be shown to be without intent to restrict trade. Many laws, in-

cluding pesticide regulation at the state level, may be vulnerable because they were enacted to protect the environment, not animal, human or plant health which are the only categories in NAFTA for which environmental laws are defensible.

In other cases where health provisions have been enacted with the intent of preventing harm where the effects of a chemical or process are unknown, such as the proposed moratorium on the use of Bovine Growth Hormone, there may be insufficient scientific evidence to justify maintaining the standard.

AGRICULTURE AND THE ACCESSION CLAUSE

NAFTA's biggest agricultural impact may reside in the Accession Clause which allows any country or group of countries to accede to the NAFTA if they comply with the conditions imposed for admittance. Little or no research has been done on the implications of liberalized agricultural trade with these other countries. Not only Latin American countries, but other major agricultural exporting countries such as Australia and New Zealand could gain the same access to North American markets provided to Canada, Mexico and the U.S. by NAFTA, causing further market erosion. Under the Accession Clause, countries that are lower cost producers in nearly every commodity produced in the U.S. may increase their exports to the U.S. as a result of the elimination of import restrictions.

Argentina and Brazil are the hemisphere's lowest cost producers of wheat and beef; New Zealand has lower dairy prices than the U.S.; and Brazil could dominate the frozen orange juice market. Thus, while U.S. dairy producers will see little or no positive impact from liberalized trade with Mexico, the unrestricted imports of dairy products from countries like New Zealand could seriously damage U.S. dairy producers. In addition, the use of BGH in dairy cow production in Mexico would further erode consumer confidence in our milk supply unless there were efforts to ensure that dairy imports would not be allowed.

EXPORTS AND NET FARM INCOME

Supporters of NAFTA hinge their entire argument on the premise that the agreement will create jobs through increased exports to Mexico. For evidence, NAFTA supporters point out that after the Mexican government reduced its trade barriers in the mid 1980's, U.S. exports to Mexico improved, and since 1991 we have been running a trade surplus with Mexico. NAFTA supporters contend the trade agreement is creating from 200,000 to 350,000 jobs, and claim more free trade will create more jobs (Faux, 1993). This is predicated on the jobs "multiplier" (Lee, 1993) concept which holds that a figure of net jobs increases can be calculated based on the size of the U.S. trade surplus with Mexico.

National predictions of 50,000 new agricultural related jobs resulting from a NAFTA are totally insignificant but are even scarier when one realizes that it is totally based on the success of trickle-down economics in Mexico which will be responsible for a supposed massive increase in Mexican consumer demand for our agricultural products.

This export-driven emphasis prevails within the sector of the agriculture community favoring NAFTA. Increased exports are seen as the panacea that will allow U.S. agriculture to survive and prosper into the 21st century. This line of thought pervades much of USDA and has fostered policies encouraging farmers to plant from fence row to fence row and get bigger or get out. This year's low ARP's are just one more indicator of this policy direction.

According to the Economic Research Service (ERS), the most staggering decrease in farm income is for the majority of farms which are this country's smallest. Apart from 1990, this country's smallest farms witnessed their net income dwindle to nearly nothing. Clearly the vast majority of small farms are unable to reap any benefits from increased international trade.

OFF-FARM INCOME AND NAFTA

In 1990, according to The Economic Well-Being of Farm Operator Households, 1988-1990, the average off-farm income of farm operator households was $33,265, or 85 percent of total household income. Only $5,742 of total income for the average farm household in 1990 was income from their farms. As determined by which income source has the greatest effect on farm households' financial well-being, only about 30 percent of farm operator households are more dependent on their farm for financial well-being than off-farm sources of income. In about 60 percent of farm households, either or both the operator and spouse worked off the farm. The majority of this income is earned from wages or salaries.

A thorough examination of NAFTA's effects upon the agricultural community must take into account farmers' forced dependence on off-farm jobs. Until farmers

are able to make a decent living from working their farms, they will require a stable and expanding outlet for employment within their communities. The other side of this problem is the extent to which communities are dependent upon a healthy agriculture sector for farm-related employment. Farming and farm-related industries provided 23.2 million jobs in 1989 (Majchrowicz and Salsgiver, 1993) and most farmers dependent upon off-farm income are employed within these industries. If NAFTA has a detrimental effect upon agriculture, or the industries that farmers work in, there will be devastating effects on rural communities.

Majchrowicz and Salsgiver identify a number of industries that are dependent upon a healthy farm community. These industries which farmers are most dependent on for off-farm income include: agriculture wholesale and retail trade establishments; agricultural input industries (i.e. chemicals, machinery and equipment, etc.); agricultural processing and marketing; and indirect agribusiness such as prefabricated metal buildings and textile products.

We fear that the NAFTA agreement will accelerate the pace at which certain industries are investing in, or relocating to Mexico. These labor intensive industries may shift to Mexico as well as much of the remaining manufacturing sector that provides comparatively high wages and steady income for families in both rural and metropolitan regions.

CONCLUSION

As a farmer from North Carolina, I am here speaking for farmers from all across the country who are watching this debate very closely. We appreciate you holding this hearing to better understand the impacts of NAFTA on family farmers, their lives and the health of their rural economy. This NAFTA, based on the Dunkel text of the General Agreement on Tariffs and Trade, will eliminate the most effective farm programs in North America.

We will lose the only programs that have established supply management and reasonable prices for farmers if Section 22 provisions are converted to tariffs that will ultimately be eliminated. Canada has a short-term reprieve in NAFTA but will lose them under the Dunkel text. Mexican farmers will suffer the most as NAFTA, coupled with changes to the Mexican land tenure system, places an unprecedented burden on family farmers to enter the global food economy at a serious disadvantage.

Again, I thank you for this opportunity to testify. I will be happy to answer any questions.

Senator DORGAN. Mr. Swenson and Mr. Bunting, if, as you both indicate, this is not a good agreement for family farmers, why then is there a list of agricultural groups who will be holding a press conference, I believe with Ambassador Kantor and others, touting the benefits of this agreement to agriculture? And how do you explain that?

Mr. SWENSON. Mr. Chairman, I think, as you look at that list, the majority of those are either involved in direct trade of agricultural commodities, not only within the United States, but on a global basis.

And any elimination of tariffs, any reduction in restrictions on the manner in which commodities can be exchanged allow them to pit the producers in one country against those in another for beneficial gain for their stockholders, their investors.

And so, you are going to see the ConAgras, the Ralston-Purinas, and many others in strong support of free trade agreements which allow them to use their financial resources to move commodities to a point of processing and retailing for the benefit of their bottom line.

I think within the agricultural groups that may be represented there, a lot of that is just long-term philosophy that has originated within their organizations, without taking into consideration what has really happened to the producers and reflecting that.

And I do know that there is concern, for example, within many of the producer members of other organizations, such as in the case

in Florida, where I participated in a meeting yesterday; producers of fruit and vegetables and citrus and livestock that have deep concerns over the impact of NAFTA and have expressed it openly.

Senator DORGAN. With agriculture in this country, family farmers especially, raising a commodity that must find a foreign home for a substantial part of what we raise, one would expect the term "free trade," if it is applied accurately in terms of opening markets, to be something that your organization would support.

Mr. Swenson or Mr. Bunting, can you explain to me why free trade as a concept is not something that you think is good for family farmers you represent?

Mr. BUNTING. Well, what we propose to be a more intelligent way of production and for marketing is that we have—I do not know how many people are familiar with the peanut program itself and how the protections work, but the Secretary of Agriculture will determine what the domestic needs are, what the export needs are.

And then there is an agreement among those producers to grow to that established number. There is an agreement that there will be a price supported; if we agree to grow to those numbers, that there is an agreement of a stable price for that production.

That protects the farmer and the consumer, and also allows the exporter to have the needs that are needed to export into whatever country or whatever market he or she is going into. That is wise production and wise marketing for the family farmer.

Senator DORGAN. Mr. Swenson, you speak here, saying you represent family farmers. How many family farmers does the Farmers Union represent nationally?

Mr. SWENSON. We have 250,000 farm and ranch families that are members of the National Farmers Union. And they are producers. They are the ones that make their livings and sustain their operation, in most cases, from the production of their commodities.

The sad situation is that the value of their commodities has deteriorated so that more and more of them have had to secure off-farm income in trying to maintain their family farms.

Senator DORGAN. Do the views that you have expressed today represent the prevailing views of the organization, and do they represent a policy that your organization has taken?

Mr. SWENSON. An absolute policy that our members themselves developed from the grassroots up, and it is their policy.

And if I can, Mr. Chairman, when you talk about free trade, I think it is important to look at the rules and regulations which society places upon its producers.

We have seen more rules and regulations coming down in regards to pesticide usage, insecticide usage, water testing requirements on runoff, that do not occur in other countries and around the world.

And yet as we remove the tariffs at the border, we must at the same time make sure that border inspections are not trade distorting in the movement of commodities. And we have seen that between the United States and Canada.

And we have streamlined, for example, the movement of livestock into just paper inspection rather than product inspection at the border.

We are seeing the same thing proposed under the NAFTA agreement between Mexico and the United States; yet, we do not have the disease eradication within the livestock sector, which would really impact our breeding foundation.

So, we do not have what we would call a level production structure from country to country; yet, we are being asked to eliminate any border protection from the type or quality of products that we are asked by society, by government, by consumers, under which we produce our products.

Senator DORGAN. So, when people say we should be able to compete with anybody, it is probably true. We should and must compete, but the competition must be representative of some sort of fair and level ground.

If other producers are able to produce using insecticides, or fungicides, or growth hormones, or other things that would be illegal in this country, and ship in and compete with domestic producers, that is not fair trade.

Mr. SWENSON. That is not fair trade.

Senator DORGAN. You might have both borders open. You might have eliminated tariffs on all sides. You might have free trade, but it would not represent something that would be fair to our producers.

Mr. SWENSON. I would agree. And the thing is, there is a major definition difference between being a most efficient producer and being the most competitive producer.

The United States is losing its competitiveness because of factors brought down by society and the fact that—and rules and regulations placed on production, processing, and labor comes in to play a major part in it.

this is when you have processing being done as it is in Canada right now for sugar—processing being set up, importing sugar, be it for their own domestic needs or blended and then shipped into the United States.

We will displace much of our labor force in the United States. And Mexico is looking for investment, looking for an opportunity in which to create businesses, not only to process products that may be shipped down from the United States for reshipment back in, but to also import from other countries.

Senator DORGAN. I want to thank both of you for your testimony today. If you have additional information to submit for the record, the record will remain open for 14 days. Thank you very much.

Mr. SWENSON. Thank you, Mr. Chairman.

Senator DORGAN. Next we would like to call a panel that includes David Senter, executive director of the American Corn Growers; Mr. Carl Schwensen, the executive vice president, National Association of Wheat Growers; Mr. Gerald Lacey, president, National Barley Council; and Mr. Robert Walther, vice president, National Potato Council.

If you would, please come forward and take seats.

Mr. Senter, I would ask you to go first, from the American Corn Growers Association. We did invite the National Corn Growers also to submit testimony. What is the American Corn Growers Association?

Mr. SENTER. Senator, the American Corn Growers Association, we were formed in 1988. It is an organization made up of only corn-producing farmers in the United States. They are family farmers. And we have over 10,000 members in 25 States at this point.

Senator DORGAN. All right. Thank you very much. Would you proceed? We will include all of your statements as a part of the permanent record. We would ask that you summarize for 5 minutes, and we appreciate very much your being here. Mr. Senter, proceed.

STATEMENT OF DAVID SENTER, EXECUTIVE DIRECTOR, AMERICAN CORN GROWERS ASSOCIATION

Mr. SENTER. Thank you, Senator Dorgan.

The American Corn Growers appreciates the opportunity to be here to set the record straight that not all corn farmers in this country support the NAFTA agreement.

The exports are very important to farmers in this country and a lot of people try to paint those of us that are opposed to NAFTA as being antiexport. We are not. We have increased our corn exports to Mexico in recent years without the NAFTA agreement in place.

All too often, experts, so to speak, try to paint the agriculture exports as a cure-all, that it is going to solve all of the problems that we have in agriculture. And it is simply not going to do that.

The American Corn Growers, we believe that just to increased exports of corn below the cost of production does not help corn farmers in the United States. Exporting $2 corn only digs the hole deeper for corn farmers in this country.

The main benefit is accrued to the food processors and the grain traders in the world. Too much of the NAFTA negotiations have been behind closed doors.

You know, we out in the country have a story about mushrooms. And we think at some point we may refer back to this agreement as a great mushroom agreement, produced in the dark with plenty of—well, let me say fertilizer. [Laughter.]

Trade officials in this country, they travel around the world talking about reallocation of resources. The reallocation of resources they are referring to are farmers and workers in this country. That is what they are talking about in reallocations.

We are having a tremendous budget fight in this country, trying to figure out how to deal with the deficit. There is going to be tremendous cost associated with the NAFTA agreement.

Estimates have ranged up to $40 billion in lost revenues, environmental costs, worker relocation, retraining. The list goes on and on.

The CBO has estimated that it could be up to $3 billion in just lost tariff revenue. Where is the money going to come from? And when you look at the gains they project, it is minimal, but the cost is going to be a terrible cost for U.S. taxpayers to bear.

Increased grain imports from Canada have lowered U.S. prices and increased the cost of our farm programs. And if Senator Danforth will look at the increased deficiency payments due to those imports, it will more than offset that balance of payments that he was referring to in the Canadian agreement.

The loss of section 22 is a cornerstone of our domestic agriculture policy. It allows us to have a domestic program that will work. And we cannot give up that and maintain our ability to have good domestic farm programs.

The American Corn Growers, we look at NAFTA considerably different in that our largest and best customer for U.S. corn farmers is the U.S. market. We are putting in jeopardy our largest market with this agreement.

We sell a lot of U.S.-produced corn to make chips and cereal, and the list goes on and on. And we stand to lose market share with this agreement.

We also know that we will lose the meat import law. And we will see cattle feeding and slaughter move into Mexico. And we also know that Mexico has had discussions about border arrangements with Argentina, swapping oil for corn. And so there may be increased corn uses in Mexico, but it may not be American corn.

American Corn Growers, we have opposed the GATT treaty that is on the table, the U.S. position. We believe that these agreements are merely an end run to try to phase out all domestic support for U.S. agriculture.

Much has been said about the environmental impact of NAFTA. What we believe is that the first step any agreement should take is to bring all of the imports up to the standard and level that we already produce under.

If DDT is banned in the United States, it should not be allowed on any product entering the United States, but this agreement does not provide those kinds of safeguards.

We are concerned about enforcement. Why would we want to turn over disputes having to do with agriculture trade to a bilateral trade panel that—who knows what decision they will make? But it will override all of the other safeguards that we have throughout agriculture trade in this country.

American Corn Grower farmers, we produce sugar, peanuts, many other crops in the country. And we know that sugar is clearly a loser and that we could see the sugar industry in this country dismantled.

The sweetener industry is very important to the average corn farmer in this country. The peanut program would be devastated. Cotton, the textile industry is already on the ropes.

We have seen estimates that, under the NAFTA agreement, that the United States would lose two-thirds of the current domestic production, which amounts to a loss of 1.4 million jobs.

Country of origin? We know that sugar from Cuba could go into Mexico. They could use it domestically, export all their production to the United States. The same thing could happen time and time again.

We just do not believe that there has been adequate safeguards for U.S. agriculture built into the agreement. We want to increase trade, but we believe that it should be fair trade so that both sides have gains instead of a one-sided agreement.

Thank you, Senator.

Senator DORGAN. Mr. Senter, thank you very much.

[The prepared statement of Mr. Senter follows:]

Prepared Statement of David Senter

Mr. Chairman, members of the subcommittee, you are providing agriculture and this nation a great service by holding this hearing. There is a desperate need to understand what impact the North American Free Trade Agreement (NAFTA) will have on the different sectors of the U.S. agricultural economy.

The American Corn Growers Association is a grower-only organization of over 10,000 corn growers in 25 states. Our goal as an organization is to assist the corn growers in receiving more return for the corn they produce. Our goal as a national organization representing corn growers is not to keep the prices low in order to allow the agriprocessors and traders higher profits.

Exports are an important part of the income picture of farmers and ranchers in this country, especially corn producers, but our domestic markets are also important. Corn producers in the Midwest and Southwest region of this country have already built a significant export market of corn to Mexico, and we did so without NAFTA.

Agriculture exports from the U.S. are the one major sector that keeps our trade deficit from escalating as rapidly as our budget deficit. Exports are important, but exports are too often presented as some kind of magic elixir peddled by snake oil salesmen to cure all that is wrong with agriculture. Exports are not the answer to achieving prosperity in America's production agriculture sector. Exporting anything at a price below the cost of production does not help the producer, be they farmers or manufacturers. Exporting corn at $2.00 per bushel as we are doing today does not benefit U.S. corn farmers, it only subsidizes the multinational processors. That is why the American Corn Growers Association has always opposed the export enhancement program. EEP, simply stated, is an income transfer from taxpayers, either in cash or commodity, to large, very wealthy agriprocessors. Using EEP to export corn for $2.00 per bushel or less is absolutely outrageous.

Many of you who know me realize I will not allow this opportunity to pass without pointing out again that agriculture policy which links proper supply management with adequate support rates is the only viable approach to achieving prosperity in rural America. Such a system will require 1) establishment of a farmer-government partnership in a reasonable supply management program and 2) increased Commodity Credit Corporation loan rates for all storable commodities which reflect the national cost-of-production plus a reasonable profit.

The members of the American Corn Growers Association hope that this hearing will bring some of what is being proposed in NAFTA into the light of day. Too much of the NAFTA negotiations have been made behind closed doors. So much so that history may refer to NAFTA in latter years as the great mushroom agreement—produced in the dark with plenty of fertilizer.

The U.S. Trade Representative officials of past and present administrations have traveled the globe talking about the great advantages of various free trade agreements. They keep referring to a "reallocation of resources" that will occur under such agreements. We would be interested if you and your committee can find out who and what will be reallocated. It is my interpretation that resources in their vocabulary means farmers and other workers. I am not sure we all wish to be reallocated, but the message we keep getting sounds a lot like, "We're from the government, just trust us"! I would like to go into some specific areas of concern.

COST

With the President's and Congress' budget packages being debated as we speak today, we here must address the issue of the potential cost of the pact on the federal budget. In a New York Times article last week, estimates range up to $40 billion in lost tariff revenue, benefits for U.S. workers who will be unemployed as a result of new competition from Mexican Factories and infrastructure requirements to carry the additional traffic. The Congressional Budget Office last week released figures that NAFTA will cost up to $3 billion in lost tariff revenue alone.

We in agriculture have great cause for concern with revenue losses such as these. Coupled with the pay-as-you-go budget agreement of last session and the ever popular Gramm-Rudman requirements, revenue reductions mean spending reductions. Maybe it's an alphabetical thing, but it seems as if every time Washington is forced to break out the budget axe, agriculture takes the first blow. I am here to tell you that until we pass sensible, no-cost farm legislation which insures fair prices to producers, we in agriculture cannot endure no more swings by the budget axe.

SECTION 22

Section 22 gives the President of the United States the authority to limit farm commodity imports. That provision is in jeopardy under a North American Free Trade Agreement. We would lose several of our most successful farm programs. Quotas on peanuts, dairy, sugar and tobacco, among others, would be removed. There is no issue of more importance to farmers and ranchers than protection of Section 22. It is the cornerstone of America's ability to establish domestic farm policy.

LOSS OF MARKET SHARE

Corn farmers are very concerned about the economic health of one of our best customer countries—The United States of America. Our domestic market is our largest and best customer. A healthy domestic economy means customers for U.S. produced food. That economy will not be helped in trading good paying manufacturing jobs for minimum wage level service sector employment.

Proponents of NAFTA fail to recognize the serious reality of the loss of market share the pact will bring about. We as corn farmers stand to lose market share in our greatest market here at home. We do sell quite a lot of our production as food grain processed into breakfast cereals, snack chips, meal, etc., but the majority of our production is sold in the meat counter. There is a serious threat that with rising imports of meat, demand by our domestic feed lots will weaken.

An even greater threat comes in the area of consumer confidence. In today's retail marketplace, perceived food safety concerns, whether warranted or unfounded, are reality to those who spend their hard earned dollars at the check-out counter of the local supermarket or under those Golden Arches. Rumors of inadequate food safety cuts consumption of both imported and domestic production. We all remember what the the pesticide scare of a few years ago did to apple consumption, but what has the unfortunate deaths of children who consumed tainted beef last winter done to consumer confidence in our meat inspection? Congressional testimony of a 25 year veteran Import Meat Inspector of the USDA Food Safety Inspection Service lays the possible blame of the tragedy at the Canadian Free Trade Agreement. Because of that agreement, Australian beef is allowed to be transshipped through Canada into the U.S. without inspection. Coupled with a USDA ruling last summer which canceled the prohibition on imports of ground meat, we are now importing uninspected meat of unknown species. We are very concerned that NAFTA will expand this problem and we as corn producers will pay for it in the end.

GATT

The American Corn Growers Association has vigorously opposed the U.S. position at the General Agreement on Tariffs and Trade Uruguay Round on Agriculture over the past six years because the past Administration was clearly attempting to achieve in an international treaty a domestic U.S. agriculture policy that Congress did not pass in 1981, 1985 or 1990. GATT is nothing more than an end-around approach to the phase-out of all domestic supports for U.S. agriculture. We opposed that approach in the past three farm bills and we still oppose it in GATT, NAFTA or any other constitutional maneuvers around the elected legislative branch of our government.

NAFTA has scores of references to GATT, and statements that this treaty must be both dependent upon GATT and interpreted by the final GATT treaty. There is no question that NAFTA is GATT dependent. American Corn Growers Association cannot and will not support the NAFTA pact until it is determined exactly and precisely what is included in the GATT pact as well as the relationship of the provisions of the two treaties.

ENVIRONMENT

Many people were stunned by a recent court ruling that NAFTA has not met required environmental impact documentation. They should have been more stunned by the fact that it will take months to prepare a response to the court's challenge over environmental issues. If NAFTA is as environmentally friendly as its proponents have claimed, a response should have been ready in a matter of hours from off-the-shelf information. The fact is, they need time to put the proper spin on the environmental consequences to satisfy the court.

In many countries there is often a battle between environmental groups and agriculture interests. The choices sometimes seem to come down between preserving the environment or making a living, with the environment coming out on the short end of the deal too many times.

We, in this country, have established certain priorities along those lines and have determined that preserving our natural resources is in the public interest. Our members understand that farmers were the original environmentalist, and if allowed to earn a living on the land, they will protect the land. NAFTA jeopardizes the authority of this nation to administer environmental protection legislation, deemed "market distorting" by some. A good case-in-point was the tuna/dolphins episode of a few years ago. NAFTA and like trade agreements jeopardizes the dolphins and also jeopardizes the existence those family farmers who are the stewards of the land.

We are sympathetic with the budget problem Mexico has with requirements to meet U.S. standards on environmental protection as well as food safety, but we cannot waiver on these demands. Congress must insure, through separate legislation if necessary, that U.S. and Canadian standards be meet by Mexico. The agreement reached must provide the same rules for all countries. The American public is not going to back away from protection of soil, streams, lakes and ground water. I am not sure we are ready for an unelected international committee to enforce these rules. That brings us to another issue, enforcement.

ENFORCEMENT

Who decides if everyone is playing by the rules? Past actions of the International Trade Commission on Canadian pork dumping, where a clear decision of unfair trade practices was overturned by the bilateral trade panel, is representative of what has happened through the years on these kinds of cases. Will Rogers once stated that our foreign policy was an open book...most often an open check book.

Trade complaints through the years have run through an international bureaucracy so complex that it makes own federal bureaucracy seem like small potatoes. Even though I have been known to complain about actions, or non-actions of Congress, at least each of you must answer to the people of your state each six years. If they are not happy with the jobs you are doing, they can send someone else to represent them in Washington. On the other hand, the people on the international trade boards seem unaccountable for their actions as I am yet to understand to whom some of these international trade panels and commissions must answer.

OTHER COMMODITIES

The American Corn Growers Association represents corn farmers of course, but unlike many national commodity organizations, we realize that our corn farmers also raise other commodities if they are properly diversified. We don't just raise corn. Our members also raise cotton, peanuts, sugar beets, etc. We also participate and welcome coalitions with other agriculture interest. The price of sugar affects the price of corn sweetener. What happens to one commodities program many times affects the corn program. There are many other interlocking scenarios involving corn and other commodities. We are therefore very concerned with the impact NAFTA will have on other commodities and I would like to list a few.

Sugar—We are concerned about the impact of NAFTA on sugar for two major reasons. First, the treaty clearly encourages an increase in Mexican sugar production to the point of over production and exportation. NAFTA then rewards Mexico with tariff considerations when that level of production is reached. While that is not all bad, our second point of concern is that the sugar positions of NAFTA must be compatible with GATT and, as stated earlier in this testimony, NAFTA and GATT threaten the ability to set domestic farm policy with Section 22. NAFTA incentives for Mexican sugar imports coupled with no section 22 to protect U.S. producers adds up to a double whammy for U.S. sugar producers.

Peanuts—The Peanut Program stands out as one of the most effective and efficient farm program we have on the books. It provides a good return to farmers, a good product at a reasonable price to consumers, and has no cost to the taxpayer. That combination is tough to beat. We are being ask to give this up to pay proper worship to the "god of FREE TRADE". Fair trade sounds a lot more realistic than free trade.

Cotton—The textile industry is on the ropes in this country and going down for the count. If any members of this committee have textile plants in your state, or if farmers and ranchers in your state produce cotton or even wool for that matter, I recommend you take a long hard look at NAFTA. You may be saying goodbye to that segment of the economy. According to one study done by the American Textile Manufacturer's Institute, if the textile proposal that is on the table today was to be adopted, the U.S. would lose two thirds of its current domestic production of textiles and apparel, and 1.4 million jobs out of a present total of 1.7 million. That is a lot of jobs and a lost market for our cotton producers.

COUNTRY OF ORIGIN

Some of the most important safeguards that NAFTA must provide are strident "Country of Origin" provisions. As corn growers, we are concerned about whether this treaty is just with Mexico and Canada, or indeed with all of the world. I have already discussed the problem with the Canadian Free Trade Agreement as it relates to Australian meat. We note that while the general provisions in the pact seem tough at first glance, but there are over 40 pages of exceptions and formulas. Is barter allowed between Argentina and Mexico on corn? Can Cuban sugar be imported into Mexico, transformed within the legal provisions of NAFTA, and shipped to the U.S.? Why has Canada exempted themselves from so many of the origin provisions? Will GATT have even softer origin requirements, and will those provisions prevail?

In conclusion, let me say, we want the opportunity to expand markets, but what is being proposed will have the effect of forcing us to fight for our own domestic markets. We appreciate the opportunity to appear before your committee today, and look forward to working with all of you on this issue.

Senator DORGAN. We have just started a rollcall vote, and I am going to adjourn for 10 minutes, and we will reconvene. I will go and vote, and it should not take more than ten minutes.

The committee will stand in recess.

[A brief recess was taken.]

Senator DORGAN. We apologize for the interruption.

The next witness will be Carl Schwensen. Mr. Schwensen—in North Dakota, most of them are Schwensens. [Laughter.]

Carl Schwensen, executive vice president, National Association of Wheat Growers. Carl, welcome.

STATEMENT OF CARL SCHWENSEN, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. SCHWENSEN. Thank you, Senator. And thank you for the invitation to appear at your hearing this morning. You have my full statement, and I will just summarize it with a few comments.

Our organization, as you know, has a very keen interest in North American trade agreements, the Canadian agreement and the new agreement which would include Mexico.

Our position is neither anti-NAFTA nor anti-Mexico. We are not part of any chorus. We are standing alone, facing some problems that you and other members of this committee, particularly Senators Burns and Exon, know very well, with regard to Canadian trade practices around the world and, in this case, in North America.

Those trading practices are characterized by transportation subsidies which operate as export subsidies into the United States, into Mexico, into all other countries of the world; a secret pricing mechanism which is carried out through the monopolistic Canadian Wheat Board, making it difficult to compare prices and to redress trade problems in whatever forms, whether they are panels under the CFTA or GATT panels.

It is incongruous to us that Canada can now hold three-quarters of the Mexican wheat market, with Winnipeg being some 3,000 miles away from the most populated areas of Mexico, but that is what is happening.

And it is also happening in the northern tier of our States. I spoke with a farmer in Havre, MO, about 3 weeks ago. He could not sell wheat in his home town, because the elevators only wanted to buy Canadian wheat.

It was coming in at a heavily discounted price. They can make a good profit off of it. There was no market for his U.S. wheat.

Recently, the Clinton administration has acted to get the attention, hopefully more than that, of the Canadians with regard to their behavior, particularly in North America, by instituting an export subsidy program and offer, to Mexico, to purchase U.S. grain at competitive prices under our Export Enhancement Program.

The Mexicans have purchased somewhere around 32,000 to 35,000 tons thus far, with purchases continuing this week. There are no big buys yet; a series of rather small buys from the United States.

A rumor is that there were some major, major Canadian purchases by Mexico this week, which could amount to 15 to 20 percent of the entire Mexican market. All of that is going on with the NAFTA agreement and this debate in the background.

What I want to say in conclusion, Senator—and I think you understand our position very well—we want to see the same terms of trade applied in North America. We think it is very unfair for Canada to be allowed to subsidize into this country, and to further subsidize into Mexico.

Moreover, we think it is absurd that parties to the free trade agreement that are selling within a free trade zone should be subsidizing into one another's market. We hope that before this debate is concluded that there will be some restraints, some agreements, which will provide for fair terms of trade.

And we are only looking now in terms of North America, but if we cannot achieve balanced trade policies here on our continent, there is not much hope, I think, globally, to try and get a fair deal for our farmers.

So, again, thank you very much for this opportunity, Senator.

Senator DORGAN. Mr. Schwensen, thank you very much.

[The prepared statement of Mr. Schwensen follows:]

PREPARED STATEMENT OF CARL SCHWENSEN

Thank you for this opportunity to present the views of the National Association of Wheat Growers on U.S. farm trade with Mexico. I am Carl Schwensen, executive vice president of the NAWG which is headquartered in Washington, D.C.

Mr. Chairman, wheat grower concerns about fair trade in North America are longstanding, and their origins lie in the subsidy provisions of the Canadian Free Trade Agreement (CFTA) which give Canada an unfair trading advantage.

Significantly, our organization has a 25-year-old reputation as a proponent of liberal trade. The NAWG supported the Kennedy Round of trade negotiations; the Tokyo Round; the Uruguay Round; and all "fast track" trade negotiating authorities.

Our position on the North American Free Trade Agreement (NAFTA) is neither anti-NAFTA nor anti-Mexico. In fact, we see significant opportunities for expanded U.S. wheat sales to Mexico if Canadian export subsidies are prohibited in North America. But these benefits to American farmers will never be realized under the current and proposed North American trading scheme.

Right now, Canada holds three-quarters of the Mexican wheat market, and its main wheat growing area is 3,000 miles from Mexico City! Obviously, Canadian export policies eclipse any comparative advantage that should accrue to the U.S. due to its geographic proximity to Mexico.

Canada's unfair trading practices are the problem, and neither the Canadian Free Trade Agreement, the Uruguay Round of GATT negotiations, nor the North American Free Trade Agreement negotiations have adequately dealt with Canadian rail export subsidies or the secret pricing practices of the Canadian Wheat Board monopoly.

On June 24, the Clinton Administration took the first step to combat the blatantly unfair trading practices of Canada by using the Export Enhancement Program

(EEP) to target Canadian competition in Mexico. Under the EEP initiative, Mexico has been given the opportunity to purchase up to 1.4 million tons of wheat at competitive world price levels. So far, about 32,000 tons of U.S. hard red winter wheat has been purchased under our EEP offer. The Canadian government, and its grain monopoly, have bitterly criticized the U.S. for its action, and Canada has told the U.S. that it will request formal consultations under provisions of the CFTA.

In this regard, it is our view that if Canada prevails on the U.S. to enter into consultations on EEP practices, then the scope of these consultations should include the 1989 Presidential commitment for "immediate consultations" with Canada to exclude the use of rail transportation subsidies on the movement of Canadian farm goods via east coast ports for consumption in the U.S. In other words, any consultations should include Canadian export subsidies as well as a review of the EEP program.

Mr. Chairman, we want to see the same terms of competition applied in North American. It is absurd for partners in a "free trade zone" to be subsidizing sales into one another's markets. If subsidies are reserved for use against non-NAFTA countries only, then U.S. wheat growers have a good chance of realizing the increased sales projections that have been associated with implementation of the NAFTA.

Thank you, Mr. Chairman, for the opportunity to present our views to this committee. I will be please to respond to questions at the appropriate time.

Senator DORGAN. Next, we will hear from Mr. Gerald Lacey, President of the National Barley Council. Mr. Lacey.

STATEMENT OF GERALD LACEY, PRESIDENT, NATIONAL BARLEY COUNCIL

Mr. LACEY. Thank you, Mr. Chairman.

I am Gerald Lacey. I am a barley grower, a farmer, out in the south end of that Red River Valley, far enough south so I know what the water is all about.

In fact, I am offering right now to sell my crop at 25 cents on a $1. Things are not just too red hot; so I have lots of time to work for barley right now. [Laughter.]

NBGA, National Barley Growers, is a grower membership organization, including barley producers from Minnesota, North Dakota, Montana, Oregon, Washington, and Idaho. And our six States annually produce about 80 to 85 percent of the total barley crop.

At our annual meeting, last February, before the North American Free Trade Agreement was really—before we had all of our information, we adopted the concept of NAFTA and came out in favor of NAFTA, unconditionally.

Since that time, our farmers felt, you know, the same way about this Canadian Free Trade Agreement as a lot of the others that have been visiting this morning. We held out some hopes for it.

It was going to be an easy solution that we had been waiting for, and it was easy to understand why, after being reassured that the concerns we raised at the time were being taken care of by the U.S. negotiators.

We did not talk a lot about it. We did not hear a lot about it during the negotiations. We have since found out that, in practice, the Canadian Free Trade Agreement was seriously flawed.

We can now see that rather than providing a level playing field, a fair trade in barley, the agreement allows for the free movement of Canadian grains, subsidized by the Western Transportation Act, into the U.S. markets while at the same time requiring certification and other nontariff stipulations, effectively preventing the movement of U.S. barley north across the border.

The resulting situation does not provide a testimonial for such agreements—but in spite of our misgivings, NBGA took into account that we were going to do a better job in drafting NAFTA.

Since that time, several things have happened which have again raised the U.S. barley growers' apprehension level. First, the Canadian Government took action just lately to take the barley away from the monopoly of the Canadian Wheat Board and establish that "continental market" we have heard so much about.

The purpose of the move was to avoid the requirement for Canadian barley farmers to receive a license from the Wheat Board before they can export into the United States. The proponents of the change are predicting that the volume of barley into the United States is going to increase from roughly 500,000 tons to 1½ million tons in 1993–94.

Second, when the language in NAFTA was made public, it was discovered that in stipulating the 150,000 tons annual duty-free allotment made for U.S. barley, or equivalent, into Mexico—there was inadequate language specifically requiring that the allotment be filled with U.S. commodity.

With the huge influx of Canadian barley targeted into the United States, our NAFTA quota with Mexico will be very vulnerable to fulfillment by Canadian barley or malt marketed through the United States and scored against our quota.

And the 120,000 metric tons is actually less than we have been putting into Mexico over the last few years. The base trade goes back and covers a period when—so we are actually going backwards.

But by the time we are down the agreement a ways, we will be back up to where we have been in the past few years. With this possibility, of course, it weighed heavily against our enthusiasm for NAFTA.

And a month ago our board authorized a public statement, and this is the way that reads, "Recent developments in Canada, aggressively seeking the continental barley market, coupled with loopholes in implementing language of NAFTA, posed serious questions to the U.S. barley growers."

So, I guess we are now having some second thoughts. We do approve, still, of NAFTA in its—if it is put through in a way that we can for sure get our 120,000 metric tons, but we are not anxious to have the Canadians eating our lunch. And there lies the problem.

Thank you.

Senator DORGAN. Mr. Lacey, thank you very much.

[The prepared statement of Mr. Lacey follows:]

PREPARED STATEMENT OF GERALD LACEY

Mr. Chairman, Members of the Committee, I am Gerald Lacey, a barley grower in the Red River Valley near Campbell, Minnesota. I am currently President of the National Barley Growers Association (NBGA). NBGA is a grower membership organization including barley producers from Minnesota, North Dakota, Montana, Oregon, Washington and Idaho. This block of six states annually produces 80 to 85 percent of the total U.S. barley crop.

At the annual meeting of the National Barley Growers Association in February of this year, our Board of Directors discussed at length, the pros and cons of the North American Free Trade Agreement. The concept of liberalized trade between the three nations of the North American continent has tremendous appeal. The

prospect of coordinating policy which will enhance trade opportunity in all three countries could be the key to an upturn in the entire continental economy.

On the other hand, our farmers felt the same way about the U.S./Canadian Free Trade Agreement when it was being negotiated. It was held out to us in the same glowing terms. It was to be the solution that we had all been waiting for. Thus, it is easy to understand why, after being reassured that the concerns that we had raised at the time were being taken care of by the U.S. negotiators, we have found that, in practice, the CFTA is seriously flawed. We can now see that rather than providing a level playing field for fair trade in barley, the Agreement allows free movement of Canadian grains, subsidized by the Western Grain Transportation Act, into U.S. markets, while at the same time requiring varietal certification and other non-tariff stipulations effectively preventing movement of U.S. barley north across the border.

The resulting situation does not provide a testimonial for such agreements from our point-of-view, but—in spite of misgivings—the NBGA took into account the improved scenario provided by NAFTA for total U.S. feed grains exports to Mexico and voted to support ratification of the agreement.

In the intervening months since that Board action in February, several things have happened which have again raised the U.S. barley growers' apprehension level:

First, the Canadian government took action removing barley from monopoly purview of the Canadian Wheat Board when the grain is destined for export into the "Continental Market," which includes the United States. The purpose of the move was to void the requirement for Canadian barley farmers to receive a license from the Wheat Board before they could export to the U.S. Proponents of the change gleefully predict that the volume of barley going into the U.S. will increase from roughly 500,000 tons in '92-'93 to nearly 1.5 million tons in '93-'94.

Second, when the proposed language of the NAFTA was made public, it was discovered that although a 120,000 ton duty-free annual allotment was made for U.S. barley (or its equivalent) into Mexico, there was inadequate language specifically requiring that the allotment be filled with U.S. commodity. With the huge influx of Canadian barley targeted into the U.S., our NAFTA quota with Mexico will be very vulnerable to fulfillment by Canadian barley or malt, marketed through the U.S. and scored against our quota.

Such a possibility, of course, weighs heavily against NBGA's enthusiasm for the NAFTA. At our mid-summer Board meeting one month ago, the Board authorized a public statement containing the following language:

"Recent developments in Canada—aggressively seeking a Continental Barley Market, coupled with loopholes in the implementing language of NAFTA, pose serious questions for U.S. barley growers.

"Most of our problems spring from the implementing language establishing rules of origin for fulfillment of tariff rate quotas.

"Stated objectives of the newly liberalized Canadian barley marketing system target U.S. markets for over a million tons of barley. Canadian barley entering the U.S. in those volumes will be in position to be transshipped to Mexico as a U.S. product, scoring against the 120,000 ton U.S. quota. If present inadequate rules-of-origin language is not modified, the NBGA would find the agreement very difficult to support.

"The NBGA reserves the right to oppose the NAFTA when the request for ratification is brought to Congress, unless satisfactory clarification of rules of origin is in place."

It is our understanding that consultations with the Mexican government concerning implementation language have not been concluded. NBGA concerns have been fully discussed with the Foreign Agricultural Service negotiators and it is recognized that a potential problem exists. Whether appropriate remedial language changes can be made at this late date remains to be seen. In the meantime, the NBGA position vis-a-vis NAFTA can best be described as "qualified support."

Thank you, Mr. Chairman.

Senator DORGAN. Next, we will hear, finally, from Mr. Robert Walther, vice president of the National Potato Council.

Mr. Walther, I have, at times, in describing the U.S.-Mexico agreement, described it through the eye of a frozen french fried potato, believing that tracking this agreement through the eye of a frozen french fry moving from the United States to Mexico, and Mexico to the United States, and describing the conditions attached to each flow, probably gives the best description I know of, of what is wrong with this agreement. Mr. Walther, welcome.

STATEMENT OF ROBERT WALTHER, VICE PRESIDENT, NATIONAL POTATO COUNCIL

Mr. WALTHER. Thank you, Mr. Chairman.

And I am a farmer from Michigan. We have 10,500 growers in the United States that belong to our National Potato Council, representing 50-some States.

The National Potato Council sees Mexico as an opportunity for us. Mainly, one of the reasons is that the consumption there is 28 pounds of potatoes per capita. Here in the United States we consume 132 pounds per capita.

We do have, you know, some problems in shipping potatoes there, and I will hit on a few of them if I have time. But on the fresh part, the 1,500—we are allowed, with the NAFTA draft, 1,500 million metric tons of potatoes, which only represents 1 percent of the potatoes that the Mexicans use at this time. After that, there is 270 percent tariff imposed and even after 6 years, there is still a 207-percent tariff.

But on the french fry side, we see a potential, mainly because several years ago one of the big processors went down there and tried to process potatoes in Mexico.

One of the problems that they have is that at the present time they do not have a variety that will grown down there. The varieties that we use in the north to make french fries is not adapted to their climate.

And within the agreement, we have 131 metric—excuse me, 3,100 metric ton of potatoes that is free from the tariffs. And after that, it is 20 percent.

We oppose that, mainly because we feel that we are not in direct competition with the Mexican farmers with regard to french fries. And with our fast food restaurants heading the way they are in the cities, especially Mexico City, we would like to furnish them with potatoes that are from our processors here and brought down there free of tariffs.

I would like to touch on import surges. The National Potato Council has worked with the NAFTA, and especially Canada.

One of the problems that we have with the import surges is: When we had imposed it onto Canada, it is so cumbersome that the time we actually have our administration agree that there is a dumping on us, that it takes another 2 months to get it imposed.

And by the time it is, the dumping is done, the damage is done, and we cannot do anything about it. But on the other hand, we have had the snapback provision imposed on us by Canada seven times.

They have a much faster way of implementing it in Canada than we do here in the States. And since then, we have written to our trade officials and asked them if they would investigate some of this.

And due to the lack—the failing of the GATT talks, we also had some problems with the hidden subsidies within Canada. As you know, in the United States potatoes are a nonsubsidized crop. And we have a resolution within our organization, and that is the way we want to keep it.

But we are afraid that within the negotiations with Mexico that the import surge provision—if we do come to an agreement with the Mexicans, could be used against us.

And one other thing that I would like to say is that in the first part of this year when we thought that we were not getting any place with our trade leaders and with the Mexican talks, Chairman de la Garza and his aide, Mr. Equihua, set up a meeting with the Mexican Government and some farmers.

They have an organization similar to ours down there. And we went down there with them. And we were really welcomed. And we appreciated it. We invited them back here, to Denver, in July.

We wanted to see what our market would be and what our competition was like. Like I said, the one thing that really stood out in our minds was that there was a huge market there.

And we told the Mexican farmers that we thought that our organization could help them develop that market and that both of us would utilize it. And at the present time, we are trying to do that.

We have sent them information on how to advertise potatoes. We will continue the talks with them. We have got a long ways to go, but we believe that there is some room there, and I was very happy with what we had accomplished with them.

I had a lot more, but I guess that is about it. Thank you.

Senator DORGAN. Thank you very much.

We will include your full statement as a part of the permanent record.

[The prepared statement of Mr. Walther follows:]

PREPARED STATEMENT OF ROBERT WALTHER

Good morning Mr. Chairman, members of the Committee. My name is Robert Walther. I am a Michigan potato grower and serve as Vice President of Government Relations for the National Potato Council.

I thank you for the opportunity to testify today on behalf of the National Potato Council to discuss our industry's current trade situation with Mexico and the outlook for future trade in the context of the North American Free Trade Agreement or "NAFTA."

The National Potato Council is the only trade association representing 10,500 commercial growers in 50 states. Our growers produce both seed potatoes and potatoes for consumption in a variety of forms. Annual production in 1991 was 417,762,000 cwt with a farm value of $2.045 billion. Total value is substantially increased through processing. The potato crop clearly has a positive impact on the U.S. economy.

The Council sees Mexico as a market with increasing consumer demand and potential for imports of fresh, seed and to a greater extent, processed potatoes, particularly french fries. Whether U.S. growers and processors benefit from the growing demand for these products will depend on several factors:

- on the fresh and seed side—key will be whether Mexico relaxes current phytosanitary restrictions that unfairly ban access for U.S. fresh and seed potatoes and whether the access terms negotiated under NAFTA will be revised or accelerated to increase near-term access for U.S. potatoes. I will speak to the specific terms of NAFTA in a moment.
- on the processed side, particularly with respect to frozen french fries—consumption in Mexico has expanded significantly—by an average of 70 percent annually over the last 4 years. Most of the increase in consumption is accounted for by imports, predominately from the United States, which have been growing by 66 percent annually. The extent to which U.S. processors will continue to benefit will depend on gaining better near-term access for U.S. potato products under NAFTA; the Mexican purchaser's recognition of the high quality of U.S. french fries compared to the lower quality of local production; and the likelihood of Mexican production of frozen fries and other processed potato products increasing in quantity and quality to compete with U.S. exports.

Current U.S. potato trade with Mexico is largely in exports of frozen french fries since U.S. exports of fresh potatoes are, with few exceptions, prohibited due to a long list of phytosanitary restrictions. The fresh potatoes permitted entry are controlled by government licensing and can only be consumed in specific border regions. The volume of U.S. exports of fresh potatoes to Mexico is small—15,000 metric tons last year. This accounts for only 1 percent of total Mexican consumption and roughly 10 percent of total U.S. exports.

In contrast, imports of frozen potato products account for 82 percent of Mexico's national consumption of frozen processed potatoes, predominately french fries, with U.S. processors supplying 85 percent of the import market. The market for frozen processed potatoes has grown by 70 percent annually over the last few years although in volume terms the growth has not been as impressive since imports began with a small base of 973 metric tons in 1989 increasing to 10,300 metric tons last year. Although U.S. processors have a commanding share of the import market, imports of U.S. frozen potatoes are limited by a 20 percent tariff, low consumer awareness of frozen french fries, poor distribution channels, inadequate refrigerated shelf space, labeling restrictions and relatively high prices associated with processed products.

Our industry's future trade with Mexico in fresh, including seed potatoes, and processed potatoes will depend to a great extent on the outcome of the final NAFTA agreement. Our industry had put much of its hope on a good NAFTA agreement that would call for immediate duty free access to Mexico for U.S. fresh and processed potatoes and which would lift import license restrictions and unjustified phytosanitary restrictions on U.S. fresh potatoes.

To our industry's disappointment, the market access terms negotiated for fresh and processed potato products under NAFTA provide for duty free access for both fresh and processed potato products only after a ten year phase-out period. Even more onerous are the terms of the phase-out period that subjects U.S. fresh potato exports to a tariff rate quota under which an amount roughly equal to current exports will enter duty free with exports over the quota amount—that is any increase in current trade levels—subject to a prohibitive tariff equivalent of 272 percent. The 272 percent tariff equivalent is subject to a 10-year phase-out under which the tariff will still be at 207 percent at year six of the phase-out period.

As to frozen french fries, our industry's largest export product, a safeguard quota has been negotiated under which the first 3,100 metric tons of U.S. exports will be subject to the current 20 percent tariff reduced in equal amounts over 10 years and exports over the quota amount will be subject to the current 20 percent tariff for the entire 10-year phase-out period. Of greatest concern is that the quota falls short of "current access" since 1991 U.S. exports reached 3,300 metric tons, 200 metric tons over the first year quota. Similar safeguard provisions were negotiated for other processed potato products with similar 10-year phase-out periods and varying levels of quota amounts.

These access terms are particularly disturbing since NAFTA affords Mexico more immediate duty free access to the U.S. market on these identical products.

Also of interest to our growers is the import surge side agreement being negotiated under NAFTA. We are most concerned that the NAFTA text not contain cumbersome tariff snap-back provisions that are part of the U.S.-Canada Free Trade Agreement. The emergency import relief provisions contained in NAFTA must remain administratively workable. Under the U.S.-Canada FTA, snap-back provisions are triggered by a detailed price/acreage formula. This mechanism to trigger a return to the most-favored-nation tariff is procedurally cumbersome and has proven to be unworkable in practical terms. Twice under the U.S.-Canada FTA the United States has found that conditions exist for snap-back of U.S. fresh potato tariffs. In the first instance, by the time the interagency process made a decision, prices had changed such that snap-back was no longer available. The interagency process is still ongoing as to the second snap-back action. By contrast, it is our understanding that Canada has invoked the tariff snap back 7 times and apparently makes its decision immediately after the formula is reached.

The remaining question is how will the access terms negotiated in NAFTA affect our industry's trade with Mexico. As to fresh potatoes, unless the unjustified phytosanitary restrictions are removed, no matter what access terms are achieved, U.S. potatoes will not benefit. Aside from this, the tariff rate quota negotiated on U.S. exports of fresh potatoes and the 272 percent tariff equivalent negotiated on the over quota exports will discourage any meaningful U.S. growth for close to the entire 10-year phase-out period.

The provisions of NAFTA for U.S. frozen potato products will do little to substantially increase trade in the initial years of the agreement since the quota amounts are fixed at near current import levels. In later years, the NAFTA could consider-

ably work to discourage meaningful growth as the difference increases in the below-safeguard and above-safeguard tariff levels. The tariff differential will be a significant problem if Mexican production expands and Mexico improves the quality of its processed potato product.

In an effort to cultivate support from the Mexican potato industry for accelerated tariff elimination under NAFTA and for the elimination of unjustified phytosanitary concerns, executive officers of the Council went to Mexico in March of this year and had extensive meetings with Mexican potato growers. Two weeks ago twenty-five key Mexican potato growers were our guests at the Council's summer meeting in Denver.

Our direct discussions with these growers, we believe, have produced a greater understanding, which we hope will lead to progress in accelerated tariff elimination and solutions to phytosanitary problems.

First, the Mexican growers assured us that if NAFTA were enacted, they would work with us to identify circumstances which would allow for faster acceleration in the reduction of tariffs than that provided in the NAFTA schedule.

Second, the use of U.S. state seed certification laws may offer a method of resuming U.S. exports of seed potatoes to Mexico.

Third, the use of sprout inhibitors and an accelerated tariff reduction may offer a way of resuming the export of U.S. fresh table potatoes to Mexico.

On July 28 and 29, a U.S.-Mexico bilateral Technical Committee meeting in Mexico will review these proposals and it is hoped that Mexico will accept the proposed phytosanitary solutions.

Fourth, the National Potato Promotion Board made available to the Mexican growers early promotional and advertising materials. We agreed that increasing the total per capita consumption of potatoes in Mexico would help both industries succeed in that market. Currently only 28 lbs of potatoes per person per year are consumed in Mexico. The U.S. by contrast consumes 132 pounds per person per year.

In conclusion, although our industry sees consumer demand in Mexico expanding for both fresh and processed potato products, our growers and processors will be unable to capture this growth unless more immediate duty free access is achieved than has been negotiated under the current NAFTA language. As written, NAFTA gives Mexican potato growers and processors ample time to become competitive before duty free access will be granted to U.S. potato products. Expected losses to the U.S. industry as a result of this delay are estimated in the millions of dollars.

This concludes my prepared remarks. I would be happy to answer any questions from the Committee at this time.

Senator DORGAN. Mr. Schwensen, you said something that caught my ear, and I certainly agree with it. If we are not able to develop, in this hemisphere, a trading system that all of us represent to be fair to our producers and our consumers, how on earth are we going to accomplish this worldwide through GATT?

And it is clear to me that we have not accomplished, with respect to the U.S.-Canadian Free Trade Agreement, anything near an agreement that is fair with respect to agriculture.

It is unfair as it was negotiated, part of it in secret. Part of it, it seems to me, was withheld from Congress until a binational panel was provided certain information. The implementation of it and the practical effect of it has been disastrous to grain farmers in parts of the country.

So, if this demonstration of advance in trade, of a new move toward free trade, is a sample of what is to come, whether it is with NAFTA or GATT, then in my judgment I do not want any more of this to come.

It is not fair. It is not free. It does not work. And we certainly ought to, with our market power, be able to negotiate something that represents some basic level area of competition.

And I just wanted to point out, that your statement, I think, does strike a resonant chord. We must first demonstrate the ability to

do it here in this hemisphere, with Canada and Mexico, in a manner the is supportable and fair.

Mr. SCHWENSEN. I agree, Senator. We support the concept of free trade. The problem is, as you indicate so well, is that the results of our negotiations have not fit the definition when it comes to certain commodities in agriculture.

Senator DORGAN. Do you recall the written statement from Clayton Yeutter in which he, in writing, represented that in this agreement with Canada there was a general good faith understanding that it would not represent a substantial flood of grain or increase in grain moving across the border? Do you recall that at all?

Mr. SCHWENSEN. I know that statement. Yes.

Senator DORGAN. I am the one that solicited that statement, in terms of what they were representing. And I maintain that in the way this was negotiated that they had traded away the agricultural producer's interest for the interest of the financial service industry, which I suppose is good if you are in the financial service industry, and is not good if you are producing farm commodities.

As a result of my contentions, there was written representation by then trade Ambassador Yeutter who said, "You are all wet, Mr. Dorgan. I will put it in writing. Here is what this is—here is what it is going to be. Here is what is going to happen."

And, of course, he was the one that was all wet. I do know whether he knew it at the time, but the fact is, it was not a representation; it was a misrepresentation.

And we discovered later that even the top agricultural people in USTR—after Mr. Yeutter was gone—testified before a subcommittee hearing they had in the House. They testified as to the details of this trade agreement and testified inaccurately, it turns out.

They said, for example, "Well, we are protected because they cannot sell the Canadian grain in the United States at below acquisition cost."

And, of course, that cost will include the payment from the Canadian Wheat Board and the transportation subsidies, the final payment from the Wheat Board. That is all on the record.

This testimony was from the top agricultural person in USTR testifying before Congress. After the Canadian agreement was done, and after we have been flooded with grain, this is what they represented.

It turns out that the Ambassador who negotiated this had a codicil on the side, apparently some side understanding that he did not even share with the top agricultural person at USTR.

We were deceived, but apparently even some of the top people at USTR were deceived about what this was all about, based on their testimony to Congress that later turned out to be inaccurate.

Well, I do not want to dwell on it after I already have, but it does relate, as well, to Mexico. It is why many of us are skeptical about Mexico. We have heard all of these promises. And they turned out to be nothing more than empty promises.

Mr. Senter.

Mr. SENTER. Senator, I would just like to say that a lot of trade officials, government officials and others, they try to paint out free trade like this country was founded and built on free trade.

The Founding Fathers, in the Constitution, put in place measures to protect American jobs and industries through tariffs and quotas and a whole list of things. And nowhere in there is free trade built in.

We in agriculture, what we need is fair trade with adequate market access throughout the world. That is what we need in agriculture. Free trade does not exist. It never will exist.

It is just a term that is used, like everybody should fall down at the altar, free trade. There is no such thing in agriculture in this world economy we have.

Senator DORGAN. But you heard, this morning, someone in this panel suggests, as I have heard often, "Well, free trade does not mean anything. Give me fair trade."

Yet others say that is just a masquerade for being a flat-out protectionist. They want to close American markets.

Mr. SENTER. That is the general answer that they have for that, but that is not correct. We in agriculture in this country, we need fair trade. We need to export what we produce.

And we spend a lot of money and effort to move our products into the market, but that is not achieved through "some free trade that does exist."

Senator DORGAN. Well, this has been a very interesting hearing and I appreciate the contributions that you have made. We will undoubtedly have much more discussion about this.

I expect the President will send the free trade agreement to the Congress. I have personally spoken to the President and encouraged him not to do that, but my expectation is that we will be involved in a full-scale debate in Congress on implementation language for NAFTA. And this is one more contribution to it.

There will be others in the agricultural sector who next week will hold press conferences and have events that are very much in support of this.

Let me say in conclusion: I think there is a difference between agriculture and production agriculture. I have gotten, since we started this hearing, some information about the increase in agricultural exports from the U.S. to Canada.

There is a very substantial increase in snack foods, a substantial increase in fruits and vegetables. We are, in fruits and vegetables, exporting something to Canada that which they largely do not raise.

They are exporting something to this country which they raise, and which we raise in surplus, and doing so in disregard, in my judgment, to the agreement that was represented to us by our then trade ambassador who negotiated this agreement.

But as I said, a lot of water will flow under the bridge before this debate is concluded in the next 4, 5, 6 months, and your contribution to it this morning has been welcome.

Thank you very much. This hearing is adjourned.

[Whereupon, at 12:02 p.m., the hearing was adjourned.]

APPENDIX

Prepared Statement of the Rice Millers' Association

The Rice Millers' Association (RMA) is pleased to have this opportunity to offer its comments on the benefits of expanding U.s. trade with Mexico.

RMA is the national trade association of the U.S. rice milling industry. Association membership includes 28 milling companies and 35 firms engaged in a variety of industry activities including exporting, trading, merchandising, food manufacturing, the manufacture and sale of packaging, port authorities, transportation companies and others.

The U.S. rice industry and RMA strongly support congressional passage of the North American Free Trade Agreement (NAFTA) as it currently exists. This landmark agreement will increase market access for U.S. rice in Mexico, benefiting all segments of the U.S. rice industry and expanding the U.S. economy by creating additional jobs and commerce.

U.S. rice production and marketing activities generate about $3 billion in commerce annually, with almost one-half derived from exporting. Therefore, one important means for the industry to grow 15 to increase access to foreign rice markets, a primary goal of NAFTA.

The Mexican rice market is characterized by increasing consumption and declining production. This relationship between two fundamental market factors, domestic consumption and domestic production, has increased Mexico's dependence on imports to satisfy consumer demand for rice. Mexico's rice imports currently exceed 40 percent of consumption, and are expected to continue growing. The U.S., because of its location, is a logical source to supply Mexico with its rice import needs.

As Mexico's rice "deficit" has increased in recent years because of its political decision to reduce domestic rice supports, RMA has supported changes in Mexican tariffs which discriminate the importation of milled rice. Mexico currently enforces a 10 percent tariff on rough rice imports and a 20 percent tariff on milled rice imports. This tariff differential, by favoring the import of rough or paddy rice, reduces the commercial value of U.S. rice exports and with it jobs and tax revenue. With a scheduled phaseout of all tariffs, NAFTA would eventually address this serious problem.

In conclusion, as its domestic economy expands, Mexico has the potential to emerge as one of the largest and most dependable U.S. rice export markets. For that reason, RMA supports immediate congressional approval of the NAFTA as it exists today.

Prepared Statement of the National Association of State Departments of Agriculture

NORTH AMERICAN FREE TRADE AGREEMENT

Expanding foreign trade has long been a priority for the U.S. agricultural industry. Overseas exports directly help the American farmer by providing additional marketing options and improved income. The U.S. Department of Agriculture (USDA) estimates that U.S. farm exports support 860,000 full-time jobs, in production, processing, packaging, transportation. and other services. USDA also estimates that for each dollar of U.S. farm goods exported an addition $1.40 in economic activity is generated.

U.S. agricultural trade surpluses have consistently offset the overall U.S. trade deficit. Agriculture remains this country's leading export earner. In FY92, U.S. farm sales abroad totaled $42.4 billion, up from $37.6 billion the previous year. The resulting agricultural trade balance for FY92 swelled to $18 billion.

The National Association of State Departments of Agriculture (NASDA) supports all efforts to expand foreign trade, including the adoption of the North American

Free Trade Agreement (NAFTA). NASDA believes the NAFTA will have a positive impact on the agriculture industry of the United States, Canada and Mexico.

KEY PROVISIONS

NAFTA includes separate bilateral agreements in agricultural trade between the U.S. and Mexico and between Canada and Mexico. In general, the rules of the U.S.-Canada Free Trade Agreement, implemented in 1989, will continue to apply to agricultural trade between the U.S. and Canada. Key provisions of NAFTA for U.S.-Mexico trade include:

- *Elimination of nontariff barriers*—When NAFTA goes into effect, the U.S. and Mexico will immediately eliminate all nontariff barriers to agricultural trade, generally through their conversion to tariff rate quotas (TRQs) or ordinary tariffs.
- *Elimination of tariffs*—With the implementation of NAFTA, the U.S. and Mexico will immediately eliminate tariffs on a broad range of agricultural products, with most tariffs eliminated within 10 years. Duties on a few highly sensitive products will be phased out over 15 years.
- *Special safeguard provisions*—During the first 10 years that NAFTA is in effect, a special safeguard provision will apply to certain products. A designated quantity of imports will be allowed at a NAFTA preferential tariff rate. Once imports exceed the designated quantity, the importing country may apply the tariff rate in effect at the time NAFTA is implemented or the then-current most-favored-nation rate, whichever is lower. The U.S. can apply the special safeguard to seasonal imports of fresh tomatoes, eggplant, chili peppers, squash, watermelons, and onions.
- *Country-of-origin rules*—NAFTA increases incentives for buying within the NAFTA region and ensures that Mexico will not serve as a platform for exports from other countries to the United States. Under NAFTA, only North American producers can obtain the benefits of the tariff preferences. Non-Mexican origin commodities must be transformed or processed significantly in Mexico so that they become Mexican goods before they can receive the lower NAFTA duties for shipment to the United States.

NAFTA'S IMPACT ON AGRICULTURE

The most significant trade expansion from NAFTA will be with Mexico, already U.S. agriculture's third largest country market. With the elimination of all tariffs, quotas, and licenses that are barriers to agricultural trade, economic growth—especially in Mexico—will be expanded. Mexico's economic growth, projected to increase annually by at least 0.5 percent, will lead to increased demand for food and agricultural products. NAFTA provisions affecting agricultural trade between the U.S. and Mexico will result in net gains for both countries. NAFTA will:

- *Lock in recent gains*—U.S. agricultural exports to Mexico have grown significantly since the mid-1980s, rising from $1.4 billion in 1986 to $3.8 billion (preliminary) in 1992. The export growth is largely the result of unilateral liberalization in Mexico, the natural comparative advantages of the two countries, and relatively strong Mexican economic performance. NAFTA will assure that this growth in U.S. agricultural exports to Mexico will continue by providing improved market access and preventing a return by Mexico to policies that limit trade and economic growth.
- *Assures a larger market*—Mexico's population (about 92 million), which is growing at more than two percent a year and becoming increasingly urbanized, represents a significant market for U.S. agricultural products. Improved economic activity resulting from the NAFTA agreement will boost income and stimulate demand for larger amounts and more diverse food and feed products. In addition, Mexico's comparative advantages suggest it will continue to be a net importer of food, feed, and fiber.
- *Expands high-value trade*—Primarily a bulk commodity market prior to 1987, Mexico is now one of the United States' largest and fastest growing high-value markets. High-value products now account for almost 70 percent of all U.S. agricultural sales to Mexico compared to 40 percent in 1987.
- *Increases production efficiency*—NAFTA will lead to efficiency gains in both Mexico and the United States as producers respond to market opportunities. U.S. agriculture will benefit from trade creation, higher agricultural export prices, and increases in economic efficiency and productivity.
- *Increases U.S. agricultural exports and farm cash receipts*—By the end of the 15-year transition period, annual U.S. agricultural exports will likely be $2.0 to $2.5 billion higher than without NAFTA. Over the same period, annual U.S. farm cash receipts are expected to increase by about three percent compared with projected receipts without NAFTA. More agricultural trade will also expand employment in related areas of processing and transportation and the economy as a whole. Because

some of the largest U.S. export increases are expected for income supported commodities, NAFTA is also expected to reduce farm program spending.

• *Maintains the integrity of U.S. standards*—The U.S. will maintain its stringent standards regarding health, safety, and the environment and its right to prohibit imports that do not meet U.S. standards. NAFTA also allows states and local governments to enact standards without restriction, as long as these standards are scientifically defensible. The U.S. will take great care to make sure that chemicals legal in Mexico but illegal in the U.S. will not be present in imports. NAFTA allows each country to continue to develop grade standards to meet the marketing rules of its agricultural industry and ensure that consumers receive a product of acceptable quality.

• *Provides stronger protection for agricultural inventions, patents, and technologies*—The U.S. is a leader in the field of biotechnology, including the development of new varieties of plants. U.S. companies spend substantial amounts every year in the development of new plant varieties and processes that keep American agriculture efficient. Provisions in the NAFTA's intellectual property rights text will help these companies to recoup the costs of their investments and protect their interests.

• *Facilitates investments in agriculture*—NAFTA enables U.S. firms to establish new agricultural enterprises and to acquire existing businesses in both Mexico and Canada and to receive the same treatment, with limited exceptions, as domestic companies in either country. The agreement also gives U.S. investors in Mexico and Canada full rights to repatriate all profits and capital flows. NAFTA will further stimulate investment and opportunities of U.S. food processing affiliates in Mexico. NAFTA's elimination of Mexico's local content requirements for manufacturers will increase the demand for products from the United States.

• *Benefits agricultural transportation*—Under NAFTA, Mexico's market for international truck and rail transport will be opened and Canada's transportation market for U.S. firms, which is already open, will be locked in.

STATE CONCERNS [1]

While NASDA supports the adoption of NAFTA, the organization is closely watching the negotiation process for side agreements currently being developed. NASDA feels that concerns, as expressed by its individual state members (identified following expressed concern), must be addressed:

• *Labor standards/worker displacement*—Low wages and poor working conditions in Mexico are expected by many to lure U.S. businesses to relocate in Mexico, resulting in a loss of U.S. jobs. (Florida, Georgia, Kentucky, Montana, North Dakota, New York)

• *Environmental standards/food safety*—Differing environmental standards in participating countries could create problems in enforcement and raise consumer concerns regarding food safety. (Florida, Georgia, Montana, North Dakota, New York, South Carolina)

• *Accession*—Allowing any country or group of countries to accede to the NAFTA without consideration of the impact of the additions could be problematic to elements of U.S. agriculture. (Georgia, North Dakota)

• *Dispute resolution*—NAFTA prescribes a very specific process for resolving disputes. The process is deemed by some to be too restrictive and not to allow adequate participation by states. (North Dakota)

• *Import surges*—NAFTA's volume based safeguard mechanism may not be adequate in controlling import surges in import sensitive crops. (Florida)

• *States' rights*—NAFTA provisions may compromise a state's ability to regulate health, safety and environment and foster economic development (North Dakota)

• *Trucking services*—Requirements for resident drivers on international and domestic trucking services in Mexico and Canada may prevent U.S. truckers from providing transportation services. (North Dakota)

• *Specific crop concerns*—A number of states have expressed concerns over the impact of NAFTA on specific agricultural production within the state. Areas of concern include:

—Fruits, with specific mention of citrus, fresh grapes, and apples (California, Florida, South Carolina, Washington)

—Vegetables, with specific mention of tomatoes, onion and broccoli (Colorado, Florida, New York, Ohio, South Carolina)

—Sugar (Colorado, Florida, Hawaii, Idaho, North Dakota, Ohio)

—Horticulture (Florida)

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[1] For the complete set of comments from any one state, contact NASDA.

—Tobacco (Kentucky)
—Peas and lentils (Idaho)
—Potatoes (Idaho, North Dakota)
—Dry beans (Idaho, North Dakota)
—High fructose corn syrup (Illinois)
—Sugar beets (Montana)
—Feeder cattle (Montana)
—Barley (North Dakota, Washington)
—Wheat (California, North Dakota, Washington)
—Cotton (Georgia)
—Peanuts (Georgia, South Carolina, Virginia)
—Coffee (Hawaii)
—Macadamia nuts (Hawaii)
—Cattle (Washington)

National Cattlemen's Association News Release

UNITED STATES CATTLE PRODUCERS SUPPORT THE NAFTA

WASHINGTON, DC, JULY 22, 1993—The National Cattlemen's Association supports the North American Free Trade Agreement (NAFTA), based on a policy position passed by its membership.

The reason is simple. NCA believes the NAFTA will put more money in cattle producers' wallets and the agreement will spur significant job creation in the U.S. agricultural sector. The Clinton administration predicts that U.S. agricultural exports will expand by $2-2.5 billion by the end of the NAFTA transition period. This is expected to create about 50,000 jobs in the U.S. agricultural sector.

Growing world export markets have been beneficial to the U.S. beef industry during the last decade. A recent report conducted by CF Resources, Inc., shows that exports in 1992 added nearly $70 per head to the value of fed cattle sold in the U.S. The impact on calf prices was $62 per head and $66 per head for feeder cattle.

Mexico, currently the third largest export market for U.S. beef and variety meats, is particularly significant. U.S. exports of beef and variety meats to Mexico amounted to $260 million in 1992. That market has grown about $50 million per year since 1989. The value of live cattle exports to Mexico in 1992 was $ 149.5 million. However, Mexican tariffs imposed on U.S. beef last fall have slowed that growth. The NAFTA is the most swift and efficient way to remove those tariffs.

The NAFTA will take away the threat of tariffs, import licenses and other trade barriers that disrupt marketing patterns, making Mexico a much less risky market The nearly 90 million people in Mexico already have a high propensity to buy U.S. goods. Faster overall economic growth in Mexico will increase Mexican per capita income and ability to buy U.S. beef.

NCA is satisfied that animal health concerns are sufficiently address in the NAFTA. The NAFTA will not change the strict U.S. animal health standards which Mexican cattle now must pass before being imported to the U.S. Mexican cattle producers and government officials must establish effective animal disease control and eradication procedures if they want to remain competitive in the U.S. market.

NCA is the national spokesperson for the beef cattle industry. It represents 230,000 professional cattle producers, including members in 76 affiliated state cattle and national beef breed organizations.

Prepared Statement of the National Corn Growers Association

NAFTA: GOOD NEWS FOR U.S. FARMERS

The National Corn Growers Association is dedicated to improving the profitability of American farmers. Our organization has worked relentlessly to create and expand domestic and foreign markets for U.S. corn. We support the North American Free Trade Agreement because it will expand demand for our product and create jobs in rural America.

The Mexican government has controlled U.S. corn exports through a licensing program. While Mexico has grown to the third largest U.S. agricultural market, that distinction is precarious since its government can shut off imports overnight. As a matter of fact, even though U.S. corn is competitively priced, sales to Mexico have fallen from a high of 3.7 million metric tons per year to around 1 million metric tons.

NAFTA will immediately give the United States clearance to ship 2.5 million metric tons of corn to Mexico annually, with that amount increased at a compounded rate of 3 percent in each succeeding year. Within fifteen years, all limits on U.S. corn shipments will disappear. Our market for U.S. corn will more than double almost immediately, increasing the profits for U.S. farmers. As the Mexican standard of living increases, the diet will be the first to improve and so there are many long term advantages in NAFTA as well. Also, expanded meat sales to Mexico increases shipments of corn in value-added form. In short, NAFTA increases sales of U.S. agricultural products.

Mexico is not a market that the U.S. needs to create. The average Mexican now spends $450 a year on U.S. products, while the average Japanese will spend $385. The significance is the average Japanese worker earns eight times as much as his Mexican counterpart. By strengthening the Mexican economy, more jobs will be created in the United States.

NAFTA is good trade policy. It certainly is good for the U.S. corn producer, and NCGA urges Congress to support the Implementation of NAFTA.

Prepared Statement of Stephen M. Lovett, International Vice President, American Forest and Paper Association

Thank you very much, Mr. chairman, for the opportunity to testify today on the importance of the North American Free Trade Agreement to improve market access for U.S. industry through the elimination of trade barriers. Such access is critical if internationally competitive U.S. industries are to fulfill their export potential in Mexico.

The American Forest & Paper Association (AFPA) represents approximately 550 member companies and related trade associations (whose membership is in the thousands) which grow, harvest, and process wood and wood fiber, manufacture pulp, paper and paperboard products from both virgin and recovered fiber, and produce solid wood products. As a single national association, AFPA represents a vital national industry which accounts for over 7 percent of the total U.S. manufacturing output.

The industry employs some 1.4 million people, and ranks among the top 10 employers in 46 states, with an annual labor cost of about $46 billion. The forest and paper products industry generates sales of $200 billion annually. As a significant exporter to global markets, with exports of $17 billion in 1992, the industry makes an important contribution to the U.S. balance of payments.

Since the focus of this hearing is on the impact of the NAFTA on U.S. agriculture, this testimony and the attached report on NAFTA covers only the solid wood sector of the forest products industry.

The American Forest & Paper Association strongly supports the North American Free Trade Agreement (NAFTA). The Agreement will produce further impetus to economic growth in Mexico through higher levels of trade and investment and will result in increased consumption of wood products in Mexico with greater opportunities for increased sales of U.S. wood products in that market.

NAFTA provides for the elimination of Mexican tariffs on wood products. The immediate elimination of the tariff on several product lines including softwood lumber for wood frame construction is beneficial and we hope that longer staging periods for other wood products can be accelerated as the agreement goes into effect.

Many non-tariff barriers were eliminated, including trade restrictions such as quotas, import licenses and transportation obstacles. These provisions will facilitate exports of U.S. forest products to the Mexican market. There will also be effective safeguard and trade remedy provisions which do not change U.S. trade law. An effective dispute settlement procedure will also be implemented.

The elimination of tariffs on Mexican goods is not expected to lead to increased Mexican exports of wood products, as most of these goods already enter the United States duty free under the Generalized System of Preferences.

Mexico represents a rapidly growing market for the forest products industry. Wood products exports rose 589 percent from $74 million in 1985 to $510 million in 1992 becoming the industry's third largest export market. In fact, the nearly sevenfold increase in wood product exports to Mexico as compared to the doubling of total wood products exports during the same period exemplifies the enormous growth potential and importance of the Mexican market.

The current level of wood products exports to Mexico supports 14,280 direct and indirect jobs in the U.S. wood products industry. Job opportunities can be expected to increase substantially as exports grow under a NAFTA.

Ratification of the North American Free Trade Agreement will be beneficial to the economies of all North American nations. The wood products industry anticipates substantially increased sales of wood products to Mexico with the enactment and implementation of the Agreement.

["Report on the Results of the North American Free Trade Agreement Negotiations for the U.S. Wood Products Industry," by the American Forest and Paper Association, may be found in the committee's files.]

Prepared Statement of the American Farm Bureau Federation

The American Farm Bureau Federation, the nation's largest organization of farmers and ranchers, appreciates this opportunity to express its views on agricultural trade with Mexico under the proposed North American Free Trade Agreement (NAFTA).

Farm Bureau is a strong supporter of NAFTA. We concur with the vast majority of studies that show it will create U.S. jobs, not lose them; it will expand U.S. exports; it will offer opportunities to improve Mexico's environmental and labor conditions as its economy grows and develops; and it will help to widen our trade surplus in farm commodities. The alternative, a failed NAFTA, will create enormous problems for our nation and for Mexico.

More jobs in Mexico mean higher incomes and greater demand for U.S. goods and services. Higher standards of living mean less incentive for illegal emigration to the United States. A higher level of national economic development always translates into greater environmental awareness.

In short, not passing NAFTA will cost new American jobs and put off environmental advancements in Mexico that affect the United States for years to come.

Despite these benefits, our support for the NAFTA must be tempered somewhat by the fact that supplemental agreements are still being negotiated with Canada and Mexico.

Farm Bureau has historically opposed using trade sanctions to attempt to influence social changes in other countries or to accomplish other foreign policy objectives. Not only is this an extremely dangerous precedent to set, but it always seems to backfire on American farmers and ranchers.

The administration's proposal to endow the proposed labor and environmental commissions with the authority to enforce domestic laws in these areas through trade sanctions raises many questions among farmers agricultural producers—questions about national sovereignty, the constitutional role of Congress to decide tariffs and the dangerous precedents this proposal sets.

Although there are many problems in other countries that we believe need to be corrected, the threat of trade sanctions is not the best solution.

Farm Bureau continues to support NAFTA and will work hard for its adoption by Congress, unless the supplemental agreements are found to be unacceptable. Most U.S. farm commodities will benefit from freer trade with Mexico.

American agriculture already competes favorably with Mexican agriculture, despite the fact that our market is much less protected than Mexico's. We are currently running a $1.5 billion trade surplus with Mexico and this surplus is bound to grow under a more open Mexican market.

There is little dispute that U.S. agricultural exports will increase. The U.S. International Trade Commission and the Congressional Budget Office have both released studies recently that emphasize the overall benefits of expanded farm trade with Mexico.

No trade agreement is perfect, however, and this one also has its flaws. Likewise, no trade agreement resolves all trade conflicts, and neither will this one. The U.S.-Canada Free Trade Agreement (FTA) has been in place for five years and it seems that we have more trade frictions now than we ever had before.

But we also have more trade between the two countries than we have ever had to the benefit of producers and consumers in both countries.

In agriculture, imports from Canada have increased from $2.2 billion the year before the FTA took effect to $4.1 billion in 1992. On the other hand, U.S. farm exports to Canada have increased from only $1.8 billion to $4.9 billion. As a result, we have moved from being a net importer from Canada to being a net exporter.

The growth in U.S. farm exports to Mexico could be even more impressive given the enormous demand potential in Mexico for more and higher quality foods. If exports increase by $2-2.5 billion, as projected by USDA, that will add as many as

50,000 jobs here in the United States. And this is in addition to the 81,000 jobs now dependent on trade with Mexico.

Dr. Robert Paarlberg of the Harvard University Center for International Affairs has done some excellent work on the benefits of NAFTA to U.S. agriculture. In testimony before Congress last year, he gave three principal reasons for optimism about U.S. export potential, reasons that are shared by most other economists and by Farm Bureau: first, Mexico's agriculture is poorly equipped to compete with the United States; second, Mexico's farm economy is currently much more heavily protected than its U.S. counterpart; and third, the economic growth that will be stimulated by NAFTA will promote growth in demand for more and better food (which Mexican agriculture will not be able to satisfy).

Farm Bureau believes much of the opposition to NAFTA is grounded in misinformation and myths. This is unfortunate, since a great deal of analytical work has gone into evaluating NAFTA's impact on U.S. agriculture and it is almost universally positive.

Attached is a paper that attempts to debunk some of the myths surrounding NAFTA, which we would like to have included in the record of this hearing along with this statement.

Farm Bureau appreciates the opportunity to share these views and looks forward to working with members of the committee in the months ahead to ensure passage of NAFTA implementing legislation.

DEBUNKING THE MYTHS SURROUNDING THE NAFTA DEBATE

Much of the opposition to the proposed North American Free Trade Agreement (NAFTA) is grounded in myth. The myths are fostered by opponents who cite NAFTA's alleged effects on jobs and the environment. They say NAFTA will result in a flood of Mexican commodities, devastating the U.S. economy—including agriculture.

While these are just some of the myths being used to oppose NAFTA, they are powerful ones. Any changes in existing trade relations cause concerns. But the potential advantages of a successful NAFTA for the overall U.S. economy, and agriculture in particular, make it critical that people's decisions to support or oppose it be based on reality, not on myths. Here are some of those myths, followed by the facts about those issues.

Myth: *The United States will suffer massive job losses as U.S. companies fly south to take advantage of cheap labor in Mexico.*

Fact: For the most part, the reason all people are told about this myth is that manufacturing workers in Mexico make about $1.95 per hour while U.S. workers average around $14.50. How could a business not afford to move to Mexico? Two things are usually not discussed in this argument. First, labor costs are only part of the equation when companies decide where to locate. Many other variables enter the equation, including productivity, availability of raw materials and energy, transportation costs and marketing infrastructure. Otherwise, all those jobs would already be gone. Nothing is stopping them from leaving now.

Mexico's situation is similar to that of other developing countries—short of infrastructure, skilled workers, experienced managers and entrepreneurs but long on cheap labor in a world where cheap labor is becoming less important. In 1991, for example, less than one-third of the major investments abroad by U.S. companies went to countries with low labor rates.

Another element is that the cheap labor argument assumes that a job created in Mexico takes one away from the United States. In fact, the result of a successful NAFTA will be to create income and employment in both countries. U.S. trade with Mexico has changed from a $5.6 billion deficit in 1987 to a $5 billion surplus in 1992. The result has been more U.S. jobs.

There will be some areas where low-skilled jobs will move from the United States. The result of a successful NAFTA likely will be that those jobs go to Mexico instead of Asia or some other lower wage area. And from that will come increased purchases of U.S. products by those Mexican workers. Some assistance to help in this adjustment will be forthcoming in the NAFTA side agreement on labor now being negotiated. But the reality is that a successful NAFTA will increase overall employment in both countries.

Myth: *U.S. firms will move their operations to Mexico to avoid strict U.S. environmental laws.*

Fact: Mexico's General Law of Ecological Equilibrium and Environmental Protection enacted in 1988 is roughly the same as U.S. laws and regulations. In 1992, the Mexican Congress created the Secretariat of Social Development, the government

ministry charged with environmental policy formulation and enforcement—essentially the Mexican EPA. The environmental hurdles that companies wanting to locate in Mexico will have to jump will likely be no lower than those in the United States.

Opponents say it does not matter if Mexico has strong environmental laws and regulations because they are not enforced. The track record of Mexican President Salinas suggests just the opposite. Since Salinas took office, Mexico's environmental budget has increased 700 percent. The number of environmental inspectors has increased to more than 300. There have been suspensions of operating licenses and closures of 1,926 facilities for non-compliance with environmental regulations. More than 100 facilities have been closed permanently in an attempt to curb pollution in Mexico City. These are not the actions of a country unconcerned with enforcement of environmental rules and regulations.

In addition, the side agreement on the environment will provide an enforcement mechanism. In a recent proposal by a number of prominent environmental groups, the side agreement would result in the creation of a North American Commission on the Environment (NACE). One of its main finctions will be to monitor the performance of countries in complying with environmental laws and regulations. When complaints of abuse or non-compliance are made, NACE would investigate and suggest a course of action.

A successful NAFTA will help Mexico continue to make progress in the area of environmentally sound resource management. A Princeton University study indicates that pollution levels began to decrease in 42 countries when per capita GDP increased from $4,000 to $5,000. If NAFTA could boost Mexico's current GDP of about $3,700, it undoubtedly will provide access to greater resources far environmental protection purposes.

Myth: *NAFTA will allow a flood of Mexican commodities into the United States thereby "devastating" American agriculture.*

Fact: Between the limitations on Mexican agriculture and the lengthy transition period to free trade under NAFTA, there is unlikely to be a "flood" of any product from Mexico. Besides, Mexico is now the third largest and most rapidly growing export market for U.S. farm commodities. The fact that we already run a $1.5 billion trade surplus with Mexico in agriculture (despite Mexico's much more restrictive tariffs and quotas) is a strong indication that our trade surplus will continue to grow under NAFTA. Rapid population and income growth combined with limited natural resources will prevent Mexican agriculture from keeping pace with a growing demand for food and fiber.

Myth: *The Dallas Federal Reserve Board said NAFTA would reduce U.S. farm income.*

Fact: It did no such thing. The Dallas Federal Reserve report on agricultural trade attempted to determine what would happen under a trade agreement (not NAFTA) in which the United States gave up all domestic farm support programs. NAFTA does not address domestic farm supports. The Dallas Federal Reserve report is being used to mislead farmers into opposing NAFTA. It is interesting that a report by the Federal Reserve Bank of Kansas City, generally positive about the benefits to agriculture from NAFTA, has not been widely quoted by opponents.

Myth: *The "accession" provision of NAFTA will allow many other countries to latch onto NAFTA without adequate studies or negotiations.*

Fact: The accession clause permits other countries to join NAFTA under terms to be decided by NAFTA members. Membership is not automatic and would require negotiations like those conducted with Mexico and Canada. Congress would have to be consulted and would have the right to reject any new member.

Myth: *Mexico can use pesticides banned in the United States and will export unsafe products to our market.*

Fact: The Government Accounting Office has found that Mexico's system of registering pesticides and establishing tolerances is very similar to that of the United States In fact, Mexico relies heavily, but not entirely, on EPA and FDA for its scientific evaluations of pesticides. GAO cut through many of the false claims and emotional rhetoric on this issue and concluded the following:

- There are 58 pesticides for which Mexico has set tolerances different than U.S. tolerances (in most cases, this means that Mexico and the United States both allow a given pesticide but they have established tolerances for different crops).
- There are 17 pesticides for which Mexico has set tolerances where the United States has no tolerance. Of these 17, only six are used on products exported to the United States.
- The majority of tolerance violations by Mexico are found in cases where both countries allow the same pesticide but for different products, rather than where Mexico allows a pesticide and the United States does not.

• In any case, Mexican products must still comply with U.S. tolerances when they enter the United States (and this will not be affected by NAFTA).

• Mexico long ago banned DDT for use on food products (this dispels one of the more outrageous claims made by some NAFTA opponents). DDT is still being used by the government in southern Mexico to control mosquitoes that cause malaria, but it is not available to the public.

• In 1991, FDA found only one example of a DDT violation on products from Mexico. One violation was also found in testing of U.S. products that year. These violations are due most likely to residues from DDT used many years ago.

The fact is, NAFTA will not lower U.S. food safety standards. Through ongoing bilateral consultations between the FDA, EPA and their Mexican counterparts, Mexican standards and enforcement will improve under NAFTA.

Myth: *NAFTA will allow Mexico or Canada to challenge U.S. laws (such as food safety laws and the Clean Air Act) as trade barriers and have them overturned.*

Fact: This is not even remotely true. Laws in any of the three NAFTA countries may be challenged under the dispute settlement mechanism, if they are considered to be illegal trade barriers. But under no circumstance would any U.S. law ever be overturned by NAFTA. Only Congress and the U.S. Supreme Court can do that.

Myth: *NAFTA will curtail some U.S. ag exports to Mexico because the current Mexican import licensing system has allowed more imports than the initial levels set under NAFTA.*

Fact: Not really. It is important to understand the current Mexican import licensing system and how its elimination under NAFTA will improve U.S. export prospects.

For some staple commodities, the Mexican government determines import levels needed to ensure an adequate domestic supply, and issues the corresponding number of import licenses. In some years, this can mean large imports and in other years little or no imports.

Under NAFTA, Mexico will be obliged to issue licenses to ensure a minimum level of imports from the United States and Canada and this quantity must increase each year until there is no limit to imports from those two countries.

Even though the level of imports required under NAFTA in the first year appears less than actual imports in recent years, this is misleading for two reasons: first, actual imports next year without a NAFTA could be zero (if Mexico has a good crop), and second, if Mexico needs to import more than the amount required under NAFTA, it will do so simply by issuing more licenses. In other words, NAFTA ensures a minimum level of access each year but does not prevent Mexico from buying more, if necessary (just like under the current system).

Finally, after the transition period under NAFTA, the United States and Canada will have totally free access to the growing Mexican market, and preferential status over all other countries. It makes no sense to oppose such a deal.

Association of Farmworker Opportunity Programs News Release

FARMWORKERS' NEEDS BEING IGNORED IN FINAL NAFTA NEGOTIATIONS—OVER 25 FARMWORKER AND LABOR ORGANIZATIONS PETITION CLINTON

As negotiations conclude on side agreements to the North American Free Trade Agreement, farmworker issues regarding worker displacement, retraining, and safety standards continue to be left out of the picture, a group of 26 organizations announced today. The group has encouraged President Clinton to include a comprehensive worker retraining program for farmworkers in the NAFTA package.

"These side agreements were meant to address concerns that affect workers' health and safety, but migrant and seasonal farmworker issues have not been included in the discussions to date," said Diane Mull, executive director of the Association of Farmworker Opportunity Programs. "The negotiators seem to be denying the reality that up to I million rural Mexican workers will be displaced under this agreement, and that a large portion of these workers will find their way into the agricultural labor pool in this country."

Mull noted that at the same time the already-oversupplied farm labor market will be flooded with additional workers, NAFTA will also cause the loss of thousands of jobs in Florida, Hawaii, and other states that will face agricultural losses due to the longer Mexican growing season, lower worker wages, and lax environmental standards.

"The majority of U.S. farmworkers currently earn less than $7,500 per year," said Mull. "Their low wages are due to both the large surplus of farmworkers already in the U.S. and farmworkers' lack of minimum wage, overtime, and collective bar-

gaining rights under U.S. law. They simply cannot afford any economic losses under this agreement."

Together with a group of other farmworker and labor organizations across the country, Mull called for an industry-wide farmworker retraining program, increased U.S. labor standards and enforcement, strict monitoring of agricultural pesticide use, and strengthened enforcement mechanisms in the NAFTA side agreements.

LETTER FROM MISCELLANEOUS ORGANIZATIONS TO PRESIDENT CLINTON

JULY 19, 1993.

President BILL CLINTON,
1600 Pennsylvania Avenue, N.W.,
Washington, DC 20500

DEAR PRESIDENT CLINTON: As a group of farmworker and other concerned organizations, we are writing to express our concern that farmworker issues are not being fully considered in the final negotiations of the North American Free Trade Agreement Because farmworkers are among the poorest of the working poor in this country, their needs must be carefully considered so that their already difficult circumstances are not unintentionally made worse by the agreement.

We have four major areas of concern regarding farmworkers: farmworker displacement and adjustment assistance; labor standards; environmental standards; and enforcement mechanisms.

FARMWORKER DISPLACEMENT AND ADJUSTMENT ASSISTANCE

Most analysts have concluded that U.S. grain growers will benefit under NAFTA through increased sales of corn to Mexico, while U.S. fruit and vegetable growers may be initially at risk due to complementarity of crops, longer Mexican growing seasons, lower wages, and lower phytosanitary standards. This situation could create negative competition for U.S. labor-intensive fruit and vegetable growers and a subsequent reduction in the number of jobs available for U.S. farmworkers. In Florida alone, it has been estimated that between 40,000 and 50,009 farmworkers will lose their jobs because of NAFTA-related competition. Thousands more in Hawaii are also expected to lose their jobs as a result of losses to the sugar cane industry.

At the same time, increased competition from the U.S. is predicted to drive small corn producers in Mexico from their land and create a large rural-to-urban migration. As Mexico City's economy is not capable of absorbing these additional workers, researchers have estimated that up to 1 million rural Mexicans per year will enter the United States. Since the Commission on Agricultural Workers identified agriculture as one of the most common industries for incoming immigrants, a substantial portion of those displaced can be expected to become farmworkers in the U.S. This immigration will intensify the current farm labor surplus and contribute to current downward pressures on wages, working conditions, and benefits.

Despite the fact that farmworkers clearly stand to lose under this agreement, they have been left out of discussions regarding trade adjustment assistance (TAA). Although we were pleased to learn that at least one farmworker organization, AFOP, was asked by the Department of Labor to complete a consultation outline on NAFTA as well as to meet with Van Erden regarding TAA for farmworkers in the summer of 1992, farmworkers were left out of the Bush Administration plan for NAFTA adjustment assistance. In addition, we understand that Thomas Nides, special counsel to USTR, told the Committee for Farmworker Programs in March 1993 that farmworkers' special needs will be considered under a NAFTA TAA program. However, we in the farmworker community have not been asked for additional input since that time.

When speaking about farmworkers, many of the traditional paradigms used for thinking about TAA or dislocated worker programs must be discarded. What works for salaried, unionized, English-speaking workers in the manufacturing sector will not work for farmworkers because of the seasonal, less structured nature of most agricultural employment, as well as farmworkers' low wages, lack of education and English skills, and lack of labor standards protection under the law. When seasonal jobs are eliminated due to increased competition rather than a farm relocating to Mexico, and when increased immigration causes enormous labor surpluses, it becomes impossible to narrowly define farmworkers1 NAFTA-related displacement for purposes of TAA.

Instead, farmworkers must have increased access to employment, training, and support services. Without intensive skill training, farmworkers remain trapped in poorly paid agricultural jobs and contribute to the large farm labor surplus. Yet

funds provided for the federal job training program for farmworkers—the job Training Partnership Act § 402—are sufficient to serve only an estimated 2 percent of the current eligible population. Clearly, the administration must make provisions to ensure that U.S. farmworkers do not bear a disproportionate burden under NAFTA. This requires an industry-wide finding that farmworkers, regardless of specific employer, are adversely affected by NAFTA and therefore eligible for the full range of displacement assistance programs, including training specifically designed for the unique circumstances of the farmworker population.

LABOR STANDARDS

Farmworkers are particularly vulnerable under NAFTA because their baseline labor standards are much lower than those of average American workers. Farmworkers in the U.S. are excluded from most minimum wage, overtime, child labor, and collective bargaining protections afforded other U.S. workers. We advocate closing the gap in legal protections that currently exists for U.S. farmworkers and funding increased labor standards enforcement efforts in all three countries.

We are concerned that without strong trade sanctions for labor standards violations on either side of the border, Mexican labor practices may place pressure on U.S. growers to lower their labor standards and benefits to remain competitive in the international market. For example, with reports of young children working as hired workers in Mexican fields and food processing plants, there is little incentive for U.S. growers to improve their own dubious record with regard to the illegal employment of children. Similarly, with DOL's National Agricultural Workers Survey showing that the majority of seasonal agricultural workers make less than $7,500 per year, farmworkers in the U.S. already constitute a third-world population: A group living this close to the economic edge simply has no room to lose any ground with respect to wages or working conditions.

The Department of Labor has been unable to adequately enforce basic labor standards in agriculture, and with the increased pressure on agricultural employers from Mexican competition1 the likelihood of increasing violations will grow. The Department of Labor will be unable to deal with deteriorating labor standards in agriculture unless it is given sufficient resources and personnel to be a credible enforcement agency. DOL must be provided with the resources to restore its Wage and Hour enforcement staff to 1980 levels and double the number of farm labor investigations, which have been cut in half since that time. Because NAFTA will put tremendous pressure on low-wage industries, DOL must provide adequate labor standards enforcement to prevent agriculture and other low-wage industries from falling to third-world standards.

ENVIRONMENTAL STANDARDS

Farmworkers and consumers alike are at risk from Mexico's use of agricultural pesticides that have long been banned in the United States. DDT, carbophenothion, and captafol are just a few examples of the deadly pesticides that are currently used on Mexican produce grown for expert to the U.S. While some argue that residues on this produce may not exceed certain levels in order to be admitted for sale into this country, FDA is only able to sample a small percentage of all produce, and its testing procedures have been faulted as inadequate by a variety of watchdog groups.

At a time when the U.S. EPA is finally taking steps to implement worker protection standards for farmworkers to prevent their exposure to pesticides, it is imperative that the U.S. harmonize environmental standards upwards in this trade agreement In addition, U.S. manufacturers must be prohibited from manufacturing chemicals that are considered too dangerous for use here for export to developing countries like Mexico. We strongly believe that a comprehensive environmental impact statement must be conducted before the NAFTA's implementing legislation is forwarded to Congress.

The recent reports on pesticide usage by the National Academy of Sciences and the Natural Resources Defense Council point out just how ineffective government regulation of dangerous pesticides has been. NAFTA must include strong trade sanctions and enforcement mechanisms to ensure that farmworkers are not the unwitting victims of growers' efforts to remain competitive through the use of unsustainable and dangerous agricultural practices.

ENFORCEMENT MECHANISMS

While we support your efforts to improve NAFTA by negotiating side agreements on labor and environmental standards, they will remain mere footnotes to the agreement without a strong and accessible enforcement mechanism.

The trinational commission structure that we understand has been proposed is not adequate. The commission has been formulated in such a way as to prevent the likelihood that trade sanctions could ever be issued. Any trinational commission that relies on a majority vote to bring a trade sanctions case forward will simply have no cases to bring-the process will become instantly politicized. Furthermore, the procedure would be so drawn out that timely enforcement would not be possible.

We advocate an approach for labor and environmental rights that is every bit as timely and powerful as that used to resolve intellectual property and other business rights disputes in the agreement Without such an effective mechanism, farmworkers will have no protection against those unscrupulous agricultural interests that would put the health and economic weleing of their employees second to their profit margin.

Since your hometown, Hope, Arkansas, is also home to the country's largest migrant rest center, we know you are familiar with the plight of migrant and seasonal farmworkers. We the undersigned organizations hope you will consider their special needs for trade adjustment assistance9 labor and environmental protection, and enforcement mechanisms under NAFTA. We stand ready to assist you in whatever way you deem necessary.

Farmworker Organizations: Association of Farmworker Opportunity Programs; California Human Development Corporation; Catholic Migrant Farmworker Network; East Coast Migrant Head Start Project; Farmworker Justice Fund; High School Equivalency Program at UTEP; Maui Economic Opportunities; Migrant Education Program of Pomona, California; Motivation, Education, and Training; National Association of Community Health Centers; North-West Community Action Programs of Wyoming; Rural Employment Opportunities; SER Corporation of Kansas; State Lay Advisory Committee, Florida Adult Migrant Program; Telamon Corporation; Tennessee Opportunity Programs; and United Migrant Opportunity Services.

Other Concerned Organizations: Amalgamated Clothing and Textile Workers' Union; Coalition of Labor Union Women; International Labor Rights, Education, and Research Fund; International Ladies' Garment Workers' Union; League for Industrial Democracy; National Consumers League; National Safe Workplace Institute; Public Employees Department, AFL-CIO; and Sisters of Saint Francis.

Prepared Statement of Christopher Goldthwait, Acting General Sales Manager, Foreign Agricultural Service, Department of Agriculture

Mr. Chairman, Members of the Committee, I appreciate the opportunity to submit these comments on the proposed North American Free Trade Agreement (NAFTA) as it relates to agriculture.

The NAFTA is important to the Administration's effort to preserve and enhance the income of our Nation's farmers by expanding market opportunities.

NAFTA is a good, fair, and comprehensive agreement that will benefit U.S. farmers, businesses, and consumers.

Mexico represents a major, rapidly growing market for U.S. agricultural products. Mexico now ranks as the third largest market for our farm products, after Japan and Canada. Our agricultural exports to Mexico rose from a low of nearly $1 billion a year in the mid-I98os to nearly $4 billion in 1992.

NAFTA will "lock in" and expand the trade gains achieved since Mexico began to open up its economy in 1986. It will assure that the growth in U.S. exports to Mexico will continue by eliminating trade barriers that still exist.

Additionally, improved economic activity resulting from the agreement will boost income and stimulate demand for greater amounts and a greater diversity of food and feed products In Mexico. And most importantly, the NAFTA would help Mexico avoid returning to policies that limit trade and economic growth.

When NAFTA is fully implemented, by the end of the 15-year transition period, annual U.S. agricultural exports will likely be $2 billion to $2.5 billion higher than without NAFTA. Over the same period, U.S. farm cash receipts will increase by 3 percent compared with projected receipts without NAFTA.

More agricultural trade will also expand employment in related areas such as processing and transportation. Agricultural exports to Mexico already account for 81,000 American jobs. Exports from the new pact will add an estimated 50,000 jobs to the U.S. economy.

If ratified, the NAFTA will:

- Result in the ultimate elimination of all tariffs, quotas, and licenses that act as barriers to agricultural trade between the United States and Mexico.
- Give the United States preferential access to the Mexican market.

• Establish strong rules of origin to ensure that the primary benefits go to North American producers (for most agricultural products, the U.S. will share this preferential access with Canada. For dairy, poultry and egg products, which Canada elected to exempt from the agreement, the U.S. will have exclusive preferential access to the Mexican market).

• Provide stronger protections for agricultural inventions, patents, trademarks, and technologies. And,

• Create a fair, quick, and effective process for resolving disputes among the three governments.

We recognize that there are concerns about the NAFTA and in particular about certain import sensitive products. Let me assure you that we worked diligently throughout the negotiations to address the concerns of American agriculture. We met numerous times with industry representatives from all sectors of agriculture during the negotiations to solicit their input on how to structure the agreement and we continue to meet with such representatives regarding concerns about implementing NAFTA.

As a result, a number of provisions related to import protection and transition periods are designed to give all sectors adequate time to adjust. The United States will maintain the right to prohibit imports that do not meet U.S. standards regarding health, safety, and the environment. NAFTA also allows States and local governments to enact tough standards without restriction, so long as these standards are scientifically based. NAFTA allows each country to continue to enforce quality standards to meet the marketing rules of its agricultural industry and ensure that consumers receive a high quality product.

NAFTA will liberalize trade between Mexico and the U.S. in all products. Our import quotas, however, will continue to protect U.S. producers from imports from all other countries, including Canada. During the transition, Mexico will be granted a small duty-free quota for products subject to quotas imposed under Section 22 of the Agricultural Adjustment Act of 1993 such as dairy products, cotton, and peanuts in the U.S. market—and they will be charged a high tariff for any sales over the quota amount. The duty-free quota will grow and the tariff will be phased out gradually over the transition period. Section 22 quotas, however, will remain in place for all other countries.

Each of the NAFTA partners will also have a special agricultural safeguard for certain import-sensitive products which will limit the impact of any sudden import surges.

NAFTA will bolster incentives for buying within the region and it will also ensure that Mexico will not serve as an export platform to the United States. The agreement will require no changes in U.S. farm programs, and it will not restrict any future changes.

Under the NAFTA we will continue to monitor trade patterns and to defend the interests of U.S. producers and exporters should it be necessary. Our export programs will continue to be available to help the U.S. private sector in its efforts to boost export sales. The NAFTA will establish a strong framework for resolving potential problems and we will work diligently to see that it meets our goals.

When the negotiations on the side agreements are concluded and the NAFTA is ratified by Congress, we will have made significant progress in our efforts to boost exports, which are so vital to a prosperous U.S. agricultural industry.

Prepared Statement of Ambassador Mickey Kantor, U.S. Trade Representative

Mr. Chairman, I appreciate the opportunity to appear before the committee today to discuss a strengthened North American Free Trade agreement (NAFTA) and the on-going Uruguay Round of multilateral trade negotiations. This is my first appearance before this Committee, and I welcome the occasion to become more familiar with your concerns and those of other members of the committee.

I want to thank you, in particular, Mr. Chairman, for your suggestions for a North American Commission on the Environment and subcommissions to address specific transborder environmental problems. I appreciate your work on the complex problems facing the U.S.-Mexico border area and the Gulf of Mexico. I hope that we will have many opportunities to work together on these issues in the months ahead to find creative solutions.

This morning I would like to place the NAFTA and the Uruguay Round in the broader context of the President's vision of economic growth in America based on expanded trade and market opening: competing in, not retreating from, the global

economy. Then I would like to address specifically some of the agricultural trade issues currently facing us.

The trade policy of this Administration starts from the same point as its economic policy does: our prosperity and that of our children depend on our ability to compete and win in the global market. Where trade policy is concerned, the United States will continue to champion open markets and expanded trade, but we will insist that the markets of other nations be open to our products and services—especially U.S. farm exports.

Opening foreign markets is the impetus, from our standpoint, for the NAFTA, and our main objective in the Uruguay Round. Market access will also be a principal focus of our bilateral efforts with respect to many nations around the world. We see our prosperity bound up with the prosperity of our trading partners—especially in Canada, Europe, Japan and Mexico. We will work with them to promote global growth, aid the development of other less prosperous nations, and address the emerging issue of environmental protection.

NAFTA

President Clinton has consistently affirmed his support for the NAFTA, provided it is accompanied by effective U.S. domestic policies and supplemented by domestic actions and supplemental agreements to address concerns regarding labor, the environment, and safeguards against import surges. Addressing these concerns does not mean re-opening the NAFTA text. Our goal is rather to negotiate the necessary supplemental agreements and to work with Congress to develop implementing legislation so that the NAFTA, the supplemental agreements and domestic measures can be in place by January 1, 1994.

Today our negotiators, led by Ambassador Rufus Yerxa, begin the process of negotiating the supplemental agreements to which the President is committed. These supplemental agreements must break new ground in finding ways to help raise worker standards and environmental protection; in these areas we are committed to agreements that harmonize upward, not downward. In these negotiations we will be dealing with issues, and fashioning provisions, that have never been part of a trade agreement. For example, President Clinton is committed to the creation of a tri-national commission on the environment and I look forward to hearing further views from the Committee on how such a commission might work. I am also aware of this Committee's concerns about adequate provisions to address surges of agricultural imports. With regard to import surges, we are not looking to change the mechanisms in NAFTA, but rather want to ensure that these provisions can be effectively and fairly used.

We will not sacrifice substance for speed; we will not ask you to vote on NAFTA until the supplemental agreements are completed and you can judge how they strengthen the NAFTA. This Administration will not come to the Congress for approval of the NAFTA without supplemental agreements that have real teeth, meaningfully advance their objectives, are concrete, and contain serious commitments.

An enhanced NAFTA package can contribute to the ability of our farmers to compete at home and abroad and can help improve working conditions, living standards, and environmental quality throughout North America. After Japan, Canada and Mexico are our second and third largest markets for U.S. agricultural exports. Since 1986, U.S. agricultural exports to Mexico have nearly quadrupled, climbing to almost $4 billion in 1992 and establishing Mexico as our fastest growing export market for farm-produced goods. In fact, our two neighbors accounted for more than 20 percent ($8 billion) of U.S. agricultural exports in 1992.

The NAFTA contains separate bilateral undertakings on cross-border trade in agricultural products, one between Canada and Mexico, and the other between Mexico and the United States. As a general matter, the rules of the U.S.-Canada Free-Trade Agreement (FTA) on tariff and non-tariff barriers will continue to apply to agricultural trade between Canada and the United States.

The U.S.-Mexico agreement on market access represents a significant change in the status quo. Upon implementation of the NAFTA, tariffs and tariff-rate quotas will replace current non-tariff barriers in U.S.-Mexico agricultural trade. Roughly one-half of U.S.-Mexico trade will be duty free at the moment the agreement goes into effect. Nine years later, all agricultural tariffs between the United States and Mexico will be eliminated, except duties on certain highly sensitive products. Barriers on U.S. imports of sugar, peanuts, orange juice and a few fruits and vegetables will not be eliminated until the fourteenth year after the Agreement takes effect. At the same time, Mexico will eliminate its barriers on corn, dry beans, powdered milk, sugar and orange juice. The bottom line is that the NAFTA should give U.S. agricultural producers significant opportunity in our fastest growing export market.

We expect particular benefits for our exports of beef, pork, poultry, eggs, dairy products, grains and oilseeds.

The NAFTA also contains strong provisions, in Chapter 7, safeguarding the ability of our federal and state governments to set the standards they deem appropriate to limit exposure to pesticide residues and other additives and contaminants.

THE URUGUAY ROUND

President Clinton is committed to the successful completion of the Uruguay Round of multilateral trade negotiations which has been on-going since 1986. My predecessors expended enormous effort for six years to obtain acceptable Uruguay Round agreements. However, several complex issues remain to be resolved. The Clinton Administration, in consultation with the private sector and Congress, is assessing the accomplishments to date, and focusing on the remaining obstacles to be overcome before the Round is completed. I think we can complete the Round in a way that will benefit the United States and the world economy, but based on our discussions to date, I do not believe that we were as close to completion as some reported in early January. When the EC Trade Minister, Sir Leon Brittan, was here in February, I told him that our goal was a good agreement, not just a quick one.

The Administration is carefully reviewing the agreement on internal support and export subsidies reached between the United States and the EC at Blair House last November, and we must resolve with the EC a number of questions regarding the implementation by the EC of that agreement and the draft Uruguay Round text on agriculture.

The question of whether we can conclude an agreement depends very much on the-market access commitments for goods and services that are still being negotiated. If we obtain good results on market access—cutting tariffs, breaking down nontariff barriers—the Round will offer significant potential benefits for the American farm community. The Department of Agriculture has estimated that a successful Uruguay Round agreement would expand U.S. agricultural exports by $6 to $8 billion annually after 5 years, and add $1 to $2 billion to farm income.

We chose to announce the Administration's decision to seek the renewal of fast track procedures when Sir Leon Brittan was here because the Round depends, in the first instance, on U.S. and EC leadership in setting out the ambitious objectives to be achieved in areas such as market access. The three-year deadlock between the rest of the world and the EC over agriculture stalemated the Round and gave other nations, most notably Japan, the ability to avoid contributing meaningfully to the successful completion of the talks. We will not complete the Round without some leadership by the United States and the EC. for will we complete it if Japan continues to behave as if it has little stake in the outcome. In the Round we will continue to insist on meaningful access to Japan's rice market. We also need to see significant contributions from other trading partners—the newly-industrializing countries in Asia and Latin America—and the developing countries who owe their economic gains to a strong, open multilateral system.

BILATERAL INITIATIVES

While we work to conclude the NAFTA supplemental agreements and the Uruguay Round, we will continue to use our trade laws and the dispute settlement provisions of our trade agreements to open foreign markets and break down barriers to specific U.S. agricultural products. We have our share of current difficult issues with the EC, which I will discuss with Sir Leon Brittan when we meet again later this month. We will continue to press the EC to implement fully the commitments it made to us on oilseeds, corn gluten feed, and malt sprout pellets. I also will meet early next month with Canadian Trade Minister Michael Wilson, to explore what further can be done to ensure that Canadian wheat shipments to the United States are in conformity with trading rules.

As this Committee knows, we currently export over $40 billion in farm products annually. That represents about 30 percent of the total value of U.S. farm production. We are not a perfectly open market, of course, but because of history, practice, and our concern for maximizing consumer choice, the U.S. market will always be basically open. Consequently, we plan to use every tool at our disposal—multilaterally where possible, and bilaterally where necessary—to make sure that other markets are comparably open to our own.

Mr. Chairman, I welcome the opportunity to answer questions from members of the Committee.

Report of the Agricultural Policy Advisory Committee Regarding the North American Free Trade Agreement

EXECUTIVE SUMMARY

This report is being submitted by the Agricultural Policy Advisory Committee (APAC) pursuant to Section 135(e) of the Trade Act of 1974, as amended, 19 U.S.C. § 2155(e), assessing the North American Free Trade Agreement (the Agreement) form the perspective of United States agriculture. Comments solicited and received from APAC members from the basis of this report. The assessments and conclusions provided and summarized in this report relate to the Agreement both in terms of all its general economic and trade policy significance, and more specifically to the agreement elements directly affecting individual sectors of agriculture or overriding topical provisions.

This report is presented on the basis of information available at the time of APAC approval. As a result some comments are necessarily tentative and APAC members must reserve the right to comment further once the final text is more thoroughly evaluated.

The APAC generally believes that the proposed NATA agreement provides long term net export growth opportunities for U.S. agriculture and is in the economic interest of the United States. As with any trade agreement there are winners and losers. The agreement provides increased export opportunities for grams, oilseeds, dairy, tree nuts, and meats. However, increased competitive pressures will occur for selected subtropical fruits, citrus and vegetables, cotton and sugar, particularly those with shorter transitiona4justment periods and limited safeguards.

Mexico is already a net importer of agricultural goods with purchases in 1990 of $4.3 billion compared with sales of $2.8 billion. With a population of around 92 million that is growing at over 2 percent per year and the potential economic growth and reduction in foreign debt provided through expanded trade, the Mexican market is expected to continue to grow providing many opportunities for U.S. agricultural exports. This is particularly true since the agreement provides that trade restrictions by the three NAFTA countries to imports from all other countries will remain in place providing significant preferential treatment for the U.S. in the Mexican market.

The APAC urged our negotiators to reach an agreement that: (1) reduced barriers in areas where we had export opportunities, (2) provided sufficient transition, safeguards and rules of origin where market sensitivities existed, (3) ensured equivalency of environmental, labor, and sanitary and phytosanitary rules and regulations that do not undermine the progress already achieved in protecting the environment and human, animal and plant life or health, and (4) provided for a strong dispute settlement process to assure enforcement of the agreement.

In the aggregate commodity context the agreement meets these criteria. It obviously does not meet the criteria with respect to each and every commodity.

The proposed agreement establishes a system to eliminate barriers to trade either immediately, or over a five, ten, or fifteen year period depending on the level of market sensitivity.

It would accomplish this by converting all non-tariff barriers to tariffs. Mexico will eliminate all of its import licensing requirements on imports from the U.S. which has been a major trade barrier. The U.S. will eliminate its Section 22 quotas on imports from Mexico.

Concern was expressed over the loss of Section 22 between the U.S. and Mexico. In particular, concern was raised by the Section 22 commodities about the erosion this would have on the effectiveness of their programs. To assist in the transition for cotton, sugar, peanuts and dairy a transition period was used with a tariff-rate-quota (TRQ). More detail is contained in this report.

The TRQ provides the strongest safeguard protection and is also available to other commodities considered trade sensitive including such items as selected fruits, citrus, nuts. and vegetables. Commodities, which do not have a TRQ, have a limited safeguard against damaging import surges under the emergency action provision that includes suspension of further tariff reductions of up to four years, and reestablishment of a rate not less than the Most Favored Nation (MFN) rate and compensation to trading partner. The APAC is concerned about the adequacy of this safeguard particularly for perishable products since it can only occur once during the transition and may take up to one year to implement.

The proposed agreement establishes strong rules of origin to prevent third countries from using Mexico as a transshipment point to gain duty free access to the U.S. market. While the rules of origin are an extension of the rules under the Canadian Free Trade Agreement (CFTA), they are stronger, particularly in areas such

as dairy, citrus, coffee, and processed fruits, nuts and vegetables. While it is generally agreed that the rules of origin wider NAFTA are an improvement, questions remain about the ability to adequately enforce the provisions.

Sanitary and phytosanitary (SPS) provisions in the proposed agreement contain disciplines on the development, adoption and enforcement of SPS measures to prevent the measures from being used as trade restrictions. It requires that the measures be based on scientific principles and risk assessment. While the agreement encourages an international standard, it does permit national and regional standards that are more stringent. The APAC observes that if a system of national, regional, state and local standards begins to emerge it would create problems for U.S. agriculture.

The APAC continues to express concerns about the establishment of equivalent environmental standards within the NASA agreement. Although not part of the agricultural section,equivalent standards are essential to ensuring that competitive forces reflect the actual costs of producing and processing agricultural commodities in an environmentally sound manner in all NAFTA countries. These standards should not undermine the progress already achieved in the area of environmental protection. Like the sanitary and phytosanitary provisions, any imbalance in standards, or failure in the enforcement of standards, can dramatically alter the actual relative cost structures of the NAFTA countries.

The APAC strongly believes the effective monitoring and enforcement of standards, rules or origin, sanitary and phytosanitary regulations, and environmental standards are crucial to the success of the agreement. To ensure the effectiveness Congress should provide sufficient funding to carry out the required activities.

The APAC believes that a good dispute settlement procedure has been developed. It draws on our experiences in GATT and the CFTA and does not permit disputes to be taken to more than one forum. The dispute settlement procedure is based on a specific timetable and provides special provisions for perishable commodities requiring action within 15 days.

In assessing the overall NAFTA, the APAC did express concerns about the process by which this agreement would be extended to other countries. Obviously, the agriculture policies of Mexico are different from many of the countries that may seek inclusion in the future. Therefore the structure of the NAFTA may not conform to the structure of an agreement with other countries. The exclusions requested by Canada are an example of these observations. The NAFTA does not address the issue of expansion of the agreement to other countries.

Prepared Statement of the National Broiler Council

The National Broiler Council, the trade association that represents over 90 percent of the companies that produce/process chickens in the United States, supports implementation of the North American Free Trade Agreement (NAFTA). We fully support NAFTA because we believe that less restricted trade between the United States and Mexico will, in the long run, lead to significantly increased opportunities for U.S. broiler and other poultry products. Although the ten-year transition period for poultry may possibly cause export limitations for certain U.S. poultry products to Mexico, it is quite likely that the improving incomes of Mexico's emerging middle-class will continue to lead to increasing demand for U.S. poultry, eggs, red meat, dairy products, and other protein foods. If Mexico producers cannot adequately meet the growing demand for these foods during the ten-year transition period for poultry under NAFTA, we are hopeful that the 95,000 metric ton duty-free import quota for poultry meat can be expanded to help meet the Mexico consumer demand.

At the end of the ten-year transition period, the Mexico poultry industry will no doubt be more competitive than it is currently. Nonetheless, we believe the U.S. broiler industry will continue to be able to offer Mexico consumers an increased and varied volume of products. The result will mean improved sales volume of U.S. broiler products to Mexican consumers who are seeking wholesome, nutritious, poultry products at a very favorable cost.

Letter From Dean R. Kleckner, President, American Farm Bureau Federation

June 8, 1993.

The Honorable Michael Kantor,
U.S. Trade Representative,
Washington, DC 20506

Dear Mr. Ambassador: The American Farm Bureau Federation is prepared to undertake an all-out effort to obtain nationwide understanding and acceptance of the benefits to the United States and to American agriculture from the North American Free Trade Agreement (NAFTA). This strong support will continue, however, only if the proposed "supplemental agreements" are ultimately determined to be in our national interest.

As you can see from the attached article in "Farm Bureau News," we believe there is a great deal of misinformation about NAFTA. We want to set the record straight.

NAFTA will create U.S. jobs, not lose them; it will expand U.S. exports; it will offer opportunities to improve Mexico's environmental and labor conditions as its economy grows and develops; and it will help to widen our trade surplus in farm commodities. The alternative, a failed NAFTA, will create enormous problems for our nation and for Mexico.

More jobs in Mexico mean higher incomes and more demand for U.S. goods and services. Higher standards of living mean less incentive for illegal emigration to the United States. And a higher level of national economic development always translates into greater environmental awareness.

In short, not passing the NAFTA will cost new American jobs and put off environmental advancements in Mexico for years to come.

Despite this, we know you are under enormous pressure from a number of interest groups to negotiate side deals to "strengthen" NAFTA in the labor and environmental areas. Although we question whether it will be possible to arrive at side-deals acceptable to some groups, we certainly welcome your efforts to respond to those with legitimate concerns about the effects of NAFTA on their livelihoods. For example, we support an early warning system to monitor threats of import surges in agricultural products.

We are worried, however, that the side deals may go too far.

Farm Bureau has historically opposed using trade sanctions to attempt to influence social changes in other countries or to accomplish other foreign policy objectives. Not only is this an extremely dangerous precedent to set, it virtually always backfires on U.S. agriculture.

The administration's proposal to endow the proposed labor and environmental commissions with the authority to enforce domestic laws in these areas through trade sanctions raises many questions among farmers—questions about national sovereignty, the constitutional role of Congress to decide tariffs and the dangerous precedent this proposal sets.

Although there are many problems in other countries that we believe need to be corrected, the threat of trade sanctions is not the solution.

Farm Bureau continues to support NAFTA and will work hard for its adoption by Congress. You need to be aware, however, that this support may be tempered or lost if the side deals are found to be unacceptable.

Sincerely,

Dean R. Kleckner,
President.

Prepared Statement of Senator McCain

Let me first thank the Chairman for holding this important hearing on the future of U.S. agriculture under NAFTA. I want to take the opportunity the Chairman has given us to talk about the advantages that NAFTA offers U.S. Agriculture. I understand some of our witnesses have reservations about the agreement, and it is my sincere hope that I can offer a line of reasoning that may change their minds.

A great many farmers support NAFTA without reservation. The American Farm Bureau Federation supports NAFTA, as does the National Corn Growers Association. Particularly important to my state, the National Cattlemen's Association also supports NAFTA. I would like to include for the committee record letters from all three organizations stating their unqualified support for the agreement.

It is my understanding that the Farm Bureau, National Corn Growers and other national agricultural organizations in support of NAFTA are submitting testimony for the committee record. I appreciate the Committee's efforts in this regard. A bal-

anced perspective on an issue of such tremendous importance to the economic well-being of our nation is certainly important.

What the American Farm Bureau, the National Corn Growers Association, the Cattlemen's Association, and the myriad of other organizations that support free trade understand is that U.S. agriculture is the most productive and competitive in the world. It has not become the most productive and competitive through protectionism. American farmers have become the envy of the world by developing an unparalleled efficiency.

The competitive advantage this efficiency provides is reflected in the benefits U.S. agriculture already enjoys across sectors. American agricultural exports to Mexico have more than doubled over the last seven years, thereby making Mexico our fastest growing export market for farm products. Even with stiff Mexican tariffs and quotas, U.S. farmers have managed to maintain a $1.5 billion trade surplus with Mexico in agriculture.

NAFTA will only build on these gains.

A fear of free trade is not in keeping with our history as Americans, our culture, or the advantages offered by the agreement negotiated by President Bush. Fears on the part of our trading partner to the south, although overcome by a bold vision of the future, are much more understandable.

In many sectors, but particularly in the case of corn, American productivity and competitive advantage make Mexican farmers worry for their future under NAFTA.

And they are worried for good reason.

NAFTA will immediately give U.S. corn growers clearance to ship 2.5 million metric tons of corn to Mexico and will lift all remaining restrictions over a fifteen year transition phase. At the end of the fifteen year transition phase, USDA estimates that U.S. exports of corn will be sixty percent above the level expected without NAFTA.

The combination of increased access to the Mexican market and the inefficiency of Mexican corn growers holds great promise for American farmers vis-a-vis their Mexican competitors. As evidenced by the support of the National Corn Growers and its 28,000 members, a great many American corn growers are excited by the prospects.

Of particular importance to Arizona, and related to the opportunities open to the corn growers, the open border will mean growth in livestock and beef exports. The dairy industry in my state also stands to gain by the agreement.

The many studies compiled by the ITC, the USDA and others, including private organizations, make these benefits of free trade clear. But more importantly, as I travel around the state, the farmers and cattlemen and businessmen, who have a personal stake in the success of U.S. agriculture, express a brave, and uniquely American, competitive zeal.

The cattlemen in Arizona are especially anxious to build on their access to the Mexican market and are finding innovative angles to the market opportunities. In addition to selling livestock and beef to our Southern neighbors, Arizona also feeds Mexican cattle. Cattle fed in Arizona are then either shipped back to Mexico for slaughter or, taking advantage of another Arizona efficiency, they are slaughtered in Arizona.

The Arizona cattle industry is aggressively expanding these unique markets and is looking forward to the vastly expanded opportunities NAFTA offers.

The U.S. competitive advantage in agriculture is obvious.

Mexico has one fifth as much cropland as the United States and three times as many workers. Only thirty percent of its crop land is irrigated. Twenty percent of Mexican crop land does not lend itself to mechanization. Mexican agriculture lacks much of the infrastructure needed for successful modern farming, such as cold storage and modern farming equipment.

The relatively low wages of Mexican workers notwithstanding, our competitive advantages in agriculture will continue under NAFTA. Wages are not the only, and perhaps not the principle, determinant of competitiveness in any industry. But in agriculture, where so much of a nation's competitiveness is determined by its natural resources, wages are even less important.

Mexican agriculture will not be able to make up for its many disadvantages through low wages.

Despite the short term threat to Mexican agriculture, president Salinas has taken the bold step of exposing Mexican agriculture to the tonic of competition. Despite the threat to corn growers, an industry with deep historical and cultural significance to the Mexican people, he has taken counsel of his vision of free trade in order to make Mexico a more efficient producer of farm products.

I like to think of myself as a student of history and I am hard pressed to think of a period in our history where we needed lessons about the benefits of the free market from Mexico.

U.S. Mexican relations are entering a new era built on trust and the free market principles we have espoused for two hundred years. NAFTA is the cornerstone of this new era.

It is the American zeal for opportunity and competition in the market place that has fared it so well throughout its history. It is in this spirit that we must move past our trepidations and take hold of the opportunities offered by free trade with Mexico. Our economy will be better for it and U.S. agriculture will be better for it.

LETTER FROM ROGER STUBER, PRESIDENT, NATIONAL CATTLEMEN'S ASSOCIATION

JULY 21, 1993.

The Honorable JOHN MCCAIN,
U.S. Senate,
Washington, DC 20510

DEAR SENATOR MCCAIN: On behalf of the National Cattlemen's Association (NCA), the Arizona Cattle Growers Association and the Arizona Cattle Feeders Association I would like to express our support of the North American Free Trade Agreement (NAFTA).

NCA believes that the NAFTA will spur significant job creation for U.S. agriculture and will put more money in cattle producers' wallets.

Mexico, currently the third largest export market for U.S. beef and variety meats, is particularly significant. U.S. exports of beef and variety meats to Mexico amounted to $260 million in 1992. That market has grown about $50 million per year since 1989. However, Mexican tariffs imposed on U.S. beef last fall have slowed that growth. The NAFTA is the most swift and efficient way to remove those tariffs.

NCA is satisfied that animal health concerns are sufficiently addressed in the NAFTA. The NAFTA will not change the strict U.S. animal health standards which Mexican cattle now must pass before being imported to the United States.

Sincerely,

ROGER STUBER,
President.

LETTER FROM RANDY CRUISE, PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION

JULY 6, 1993.

Honorable JOHN MCCAIN,
U.S. Senate,
Washington, DC 20510

DEAR SENATOR MCCAIN: The National Corn Growers Association is dedicated to improving the profitability of American farmers. Out organization has worked relentlessly to create and expand domestic and foreign markets for U.S. corn. We support the North American Free Trade Agreement, because it will expand demand for our product and create jobs in rural America.

The Mexican government has controlled U.S. corn exports through a licensing program. While Mexico has grown to the third largest U.S. agricultural market, that distinction is precarious since its government can shut off imports overnight. As a matter of fact, even though U.S. corn is competitively priced, sales to Mexico have fallen from a high of 3.7 million metric tons per year to around I million metric tons. NAFTA would immediately give the United States clearance to ship 2.5 million metric tons of corn to Mexico annually, with that amount increased at a compounded rate of 3 percent in each succeeding year. Within fifteen years, all limits on U.S. corn shipments will disappear. Our market for U.S. corn will more than double almost immediately, increasing the profits for U.S. farmers. As the Mexican standard of living increases, the diet will be the first to improve and so there are many long term advantages in NAFTA as well. Also, increased meat sales to Mexico increases shipment of corn in value-added form. In short, NAFTA increases sales.

Mexico is not a market that the United States needs to create. Today a Mexican will spend $450 a year on U.S. products, while a Japanese will spend $385. The significance is the average Japanese worker-earns eight times as much as the Mexican counterpart. By strengthening the Mexican economy you will see more jobs created in the United States.

NAFTA is good trade policy. It certainly is good for the U.S. corn producer, and I hope you will support the implementation of NAFTA.

PREPARED STATEMENT OF SENATOR PRESSLER

Mr. Chairman, I want to thank you for holding this hearing on the NAFTA, though I am disappointed that no groups supporting NAFTA could be scheduled to appear before the Committee.

NAFTA's impact on agriculture is paramount in South Dakota. As you may know, South Dakota is the most rural and agricultural state in the Nation. A bright economic future for agriculture in South Dakota depends on:

- Increasing exports of U.S. agricultural and small business products;
- Eliminating nontariff trade barriers and significantly reducing the use of unfair export subsidies; and
- A level playing field in the world trade arena.

History has taught us that economic growth is attained through freer trade. Agriculture stands to make significant gains from NAFTA. This point was made abundantly clear during this Committee's May 6, 1993 hearing on NAFTA when U.S. Trade Representative Mickey Kantor testified: "agriculture is a major winner" under the NAFTA. I wholeheartedly agree!

Earlier this year, the U.S. International Trade Commission reported that NAFTA is expected to bring increased U.S. exports to Mexico of grains, oilseeds, pork and swine, dairy products, and wood products—all important South Dakota products. USDA estimates that NAFTA would double U.S. pork exports to Mexico; triple U.S. beef exports; increase corn exports to Mexico by 60 percent; increase wheat exports there by 20 percent; and increase soybean exports by 20 percent.

However, NAFTA is receiving mixed reviews in the agricultural community. Many are concerned about NAFTA's potential effect on wages and the loss or relocation of jobs. South Dakota wheat growers are concerned with Canada's use of unfair export subsidies, which have resulted in Canada making significant gains in the Mexican wheat market. There are health concerns in the livestock industry because NAFTA would mean increased live animal exports to the U.S. from Mexico.

These are serious concerns. These and other issues need careful review. I welcome a healthy discussion and debate on NAFTA. If given an opportunity to have an open and honest discussion on the issues, the record would show that U.S. agriculture supports NAFTA.

I would like to submit several articles and documents from numerous agriculture groups that support NAFTA.

LETTER FROM GEORGE S. MICKELSON, GOVERNOR, SOUTH DAKOTA

AUGUST 14, 1992.

The Honorable LARRY PRESSLER,
U.S. Senate,
Washington, DC 20510–4103

DEAR LARRY: Thank you for your past support of the forth American Free Trade Agreement (NAFTA). I sincerely appreciate you understanding the importance of this historic opportunity to formally establish the largest trading partnership in the world.

During my recent visit with President Salinas and his senior cabinet, it became evident the Salinas administration speaks with one voice when it comes to discussing the various aspects of this agreement.

Agricultural trade is of vital importance to the state of South Dakota, and I am confident South Dakota's agricultural and manufactured products are globally competitive. Therefore, I am convinced we have a great opportunity through the NAFTA to increase our state's total exports. As you know, South Dakota has enjoyed great success in this area, and I would like to encourage and continue to stimulate this growth.

Your continued support of the NAFTA and your vote for ratification will help South Dakota achieve even greater success and growth through exports.

Please join me in support of a ratified NAFTA.

Very truly yours,

GEORGE S. MICKELSON,
Governor.

Letter From E. Linwood Tipton, President and CEO, International Dairy Foods Association

May 26, 1993.

The Hon. Larry Pressler,
U.S. Senate,
Washington, DC 20510

Dear Senator Pressler: We are writing to express the support of U.S. dairy food processors and manufacturers for a rapid and successful conclusion to the ongoing negotiations regarding the North American Free Trade Agreement (NAFTA) and the proposed revisions to the General Agreement on Tariffs and Trade (GATT). We believe that food industry interests in the United States will be well served by more liberal trade with our North American neighbors through NAFTA and that expanded trade, as envisioned under the Uruguay round, will stimulate investment and lead to the creation of additional jobs in-our industry. Moreover, Mexico's population represents a potentially important market for U.S. food products, and especially higher value products such as meats, dairy products and consumer-ready meals if higher household incomes in Mexico can be achieved. Likewise, the U.S. dairy industry can compete very-favorably with the Canadian dairy industry. Successfully concluding negotiations and implementing NAFTA will be extremely important to continued growth of the dairy foods industry.

NAFTA is an agreement of historic proportions. It will create the largest trading block in the world, encompassing 350 million consumers—including some 90 million residents of Mexico—and $6 trillion of annual business activity. We believe that nascent food trade relations between Mexico and the United States can grow rapidly, and that more trade will greatly expand the demand for marketing services, processing, and packaging.

The agreement will lead to an economic strengthening of the Mexican economy, and we believe that such growth will generate new market opportunities for U.S. high-value goods, including dairy products, creating a better economic climate throughout North America. In recent years, Mexico has imported more than $160 million of dairy products and Canada imported more than $60 million. Sales volume has grown enormously even without a free trade agreement and we expect even greater and more rapid growth with a NAFTA in place. Dairy products sold to Mexico include more than 13 million pounds of cheese, 14.5 million pounds of yogurt, and 5.6 million pounds of ice cream. Consumption of these products is linked to income growth and tremendous potential for additional export sales volume. In fact, some studies suggest that dairy product exports could double under NAFTA.

Currently, trade with Mexico supports 600,000 jobs in the U.S. and growth in exports to Mexico will add more, with some estimates of the gain in U.S. jobs at 175,000. We have seen no credible analysis that convinces us that NAFTA would result in a net loss of jobs in the United States.

The NAFTA has been long in birthing. The Bush Administration began the negotiations and the Clinton Administration has embraced its broad thrusts. We believe that Ambassador Kantor should be provided with an indication of broad support from Congress and given a chance to complete the details expeditiously. Expanding market access for U.S. food products sales in Mexico is essential to long-term growth in our industries.

The Uruguay round of GATT negotiations are entering the seventh year and it appears that a significant push by Congress and the Administration will be required to successfully conclude these talks. A successful agreement is vital to the dairy food industry to eliminate the economically destructive and inefficient patchwork of subsidies and protectionist trade barriers. We believe that the Blair House agreement to substantially reduce subsidies provides a basis for further negotiations. We urge you to press for greater access to the European markets.

As with NAFTA, we urge you to provide the Administration with an indication of broad support from Congress. As a tangible demonstration of this support, we hope that Congress will rapidly approve an extension of the "fast track" negotiating authority.

My best regards,

E. Linwood Tipton,
President and CEO.

LETTER FROM JOHN STIEFVATER, PRESIDENT, SOUTH DAKOTA CATTLEMEN'S ASSOCIATION

JULY 3, 1993.

Senator LARRY PRESSLER,
U.S. Senate,
Washington, DC 20510

DEAR SENATOR PRESSLER, Recent news casts indicate the North American Free Trade Agreement is coming under criticism of various groups. I would like to reiterate the South Dakota Cattlemen's Association's support of this trade alliance.

The argument put forth that their will be a loss of jobs to cheaper Mexican labor does not wash. That labor pool will be there whether or not we have a NAFTA. It is beneficial to this nation to participate in the manufacturing royalties, plant equipment, raw materials, etc. because some industrial nation is going to.

As to environmental concerns under NAFTA, Mexico will have the incentive and finances to bring their pollution problems under control and improve them.

Having visited Mexico with Governor Mickelson's industrial development group 16 months ago, I can only encourage that you support NAFTA for the long term benefit of all the participants.

Sincerely,

JOHN STIEFVATER,
President.

LETTER FROM H.D. CLEBERG, PRESIDENT AND CEO, FARMLAND INDUSTRIES, INC.

JULY 16, 1993.

The Honorable LARRY PRESSLER,
U.S. Senate,
Washington, DC 20510

DEAR SENATOR PRESSLER: On behalf of the entire Farmland cooperative system, and especially our members in South Dakota, I want to express our strong support for the proposed North American Free Trade Agreement.

There is widespread conviction throughout the Farmland membership that the future of American agriculture is to be found in the global marketplace. We strongly believe that NAFTA fits that vision and that its approval will advance the globalization of agriculture and result in significant benefits to midwestern agriculture.

Mexico is already one of the fastest growing markets for U.S. agricultural products. Under NAFTA, that process will be expedited. The big gains are likely to be in grain and meat, the staple commodities of the American heartland, which is Farmland's territory. Our 250,000 farmer-owners are already exporting significant quantities of wheat, animal feed, pork and beef to Mexico through the Farmland cooperative system. The implementation of NAFTA will increase this significantly.

We realize that NAFTA is not without controversy but we firmly believe gains substantially outweigh any negatives and we urge your support of a vitally important agreement.

Enclosed is a statement I filed with the Senate Agriculture Committee which spells out Farmland's position in better detail.

Sincerely,

H.D. CLEBERG,
President and CEO.

[Tri-State Livestock News, January 11, 1992]

A GAIN FOR MIDWEST GRAIN PRODUCERS FROM NAFTA

LINCOLN, NE—Midwest grain producers stand to benefit from the proposed United States Mexico Free Trade Agreement, according to a Minnesota trade policy specialist.

"It (Midwest) is a major producer of feed grains and wheat, and those are the commodities which can be expected to increase in demand over time in Mexico," said G. Edward Schuh, dean and professor of the Humphrey Institute of Public Affairs, University of Minnesota.

Schuh was in Lincoln recently to address 80 of the state's agricultural leaders at the annual Agriculture at the Crossroads Conference, sponsored by the Nebraska

AgRelations Council in cooperation with the Department of Agricultural Economics at the University of Nebraska-Lincoln,

In 1988, the United States and Canada signed a Free Trade Agreement. Two years later, the Unites States and Mexico proposed a Free Trade Agreement. Canada subsequently asked to participate in negotiations for a North American Free Trade Agreement (NAFTA).

Schuh, in his presentation, concentrated on the involvement of Mexico in this proposed agreement. NAFTA is just one of the current international efforts toward what Schuh called "economic integration." One major example is the proposed broadening of the existing European Economic Community.

The goals of the NAFTA are to eliminate trade barriers between the U.S. and both Canada and Mexico and to reduce restrictions on foreign investment among these three countries, "thus creating a free flow of goods and services among the region's 365 million people," Schuh said.

Trade among these three countries is already significant, according to Schuh including trade in agricultural commodities. Canada and Mexico are second and third, respectively, as markets for U.S. ag exports, and NAFTA will accelerate this ag trade, Schuh said.

"Given that current trade barriers between these two countries and the United States tend to be rather small, dramatic changes in aggregate trends are not expected from an agreement," Schuh said.

But the negotiations over further ag trade are important because certain non-tariff barriers in selected commodities remain in effect and because the United States and Mexico are important trade partners.

According to Schuh, the general case for liberalizing trade and economic integration is that it makes the economic pie larger and it promotes economic growth and increases per-capita income.

However, Schuh pointed out, low wage rates in Mexico is one factor that causes worry in the United States, particularly among U.S. labor groups. Schuh said cost of labor services, rather than low wage rates, is the main issue. "Wage rates can be quite low but if the productivity of labor is low, the costs of labor services will be high," he said. "Similarly, if wage rates are high but productivity of labor is also high, the cost of labor services may be low."

"It is because of this important relationship that the United States, to the great surprise of many, tends to be highly competitive in exporting goods and services that use a high proportion of high wage labor, and to import goods and services that use a high share of capital," Schuh said. "In those cases, the productivity of labor is sufficiently high that it offsets the high wage rates."

Schuh conceded labor groups tend to not like the competition that comes from migrating labor flow from Mexico. "The advantage of trade is that the migrants would be able to stay in their own country and gain useful employment there," he added.

The United States, Schuh said, has a choice in this issue: "It can open trade and thus encourage Mexican workers to stay at home and obtain gainful employment there, or it can discourage trade in the interests of protecting domestic agriculture and industry, with the results that the migrants come here to work."

Schuh believes a Free Trade Agreement would strengthen the United States as the dominant supplier of agricultural imports to Mexico because it would lead to preferential reductions in some barriers to trade.

The most important commodities imported by Mexico from the U.S. are duty free, including corn, sorghum, and some dried milk products. Mexico imposes a 10 percent tariff on many other valuable categories of imports from the United States, including poultry meat and oilseed products.

Regarding Canada, the United States probably will continue to face competition from its northern neighbor in the production of pork, but the United States should have an advantage in Mexico if that country becomes an importer of pork, Schuh analyzed.

The most serious competition from Mexico, however, is likely to come from the labor-intensive vegetable sector, Schuh concluded.

OPENING REMARKS AS PREPARED FOR DELIVERY BY WARREN CHRISTOPHER, SECRETARY OF STATE AT THE U.S.-MEXICO BINATIONAL COMMISSION MEETING—JUNE 21, 1993, WASHINGTON, D.C.

I want to welcome everyone here today—Foreign Secretary Solana, all our Mexican friends, my colleagues from the Cabinet and throughout our government.

This is our Administration's first Binational Commission meeting, and our first chance to discuss the relationship between Mexico and the United States on a com-

prehensive basis. I hope that our Mexican friends will understand that I am directing my remarks not only to you and to the Mexican people, but to the people of the United States as well.

American foreign policy begins with Mexico and Canada. With these two nations in particular, foreign policy concerns are domestic concerns. In our relations with Mexico, the fundamental interests of both nations converge: economic growth and immigration; border security and drug trafficking; environmental protection and working conditions.

Today, at this tenth BNC meeting, members of President Clinton's cabinet and our Mexican counterparts are working to strengthen our cooperation on these and other issues.

Let me mention someone who is not here today: President Salinas. His leadership and vision have helped to forge the most productive ties the United States and Mexico have ever enjoyed. As President Clinton has made clear, our challenge is to strengthen and deepen the partnership that so clearly benefits the people of both our nations.

Together, and in conjunction with Canada, we can meet this challenge by moving forward with the North American Free Trade Agreement. Our Administration intends to seek and win congressional approval later this year so that the agreement can go into effect, on schedule, on January 1, 1994.

NAFTA is in the overriding national interest of the United States. For over half a century, every American President—Democratic and Republican alike—has stood for closer cooperation and for more open trade through the hemisphere, beginning with Mexico. Now the leaders and people of Mexico are embracing historic reform—economic and political—to open their country to the global economy.

For both nations, this is an historic opportunity that must not be lost.

Through the NAFTA agreement, the United States has a once-in-a-generation chance to open up a new frontier of trade with our neighbor to the south. I am confident that when the American people and the Congress hear the debate and consider what is at stake in NAFTA, they will give it their strong support—because it is good for our nation's prosperity and good for our security.

Some voices are telling the American people that the way to prosper is to close our borders, to retreat behind walls of high tariffs and trade barriers. In American history, we have rejected such advice time and time again.

The American people realize that our interest lies in an open, competitive international marketplace. We have reason to be confident of our strengths. We are the number one global exporter. We have the most productive labor force. Our high technology is the envy of the world. Given an open market, our workers and companies can compete and win.

Our experience with Mexico proves just that. Since Mexico began to open its markets in the last decade, our trade balance has improved steadily. In 1990, we registered our first trade surplus with Mexico in a decade—and we have remained in surplus in each of the last two years. In 1992, we exported over $40 billion worth of goods and services to Mexico—more than double our exports five years ago.

Some say that there is no constituency in the United States for NAFTA. They overlook the fact that our exports to Mexico now sustain the jobs of approximately 700,000 Americans. And the U.S. jobs supported by exports to Mexico are good jobs—paying about 12 percent more than the U.S. national average. NAFTA will lower U.S. and Mexican trade barriers even further—and allow trade to grow even more. We estimate that NAFTA will generate an increase of about 200,000 jobs in the United States.

NAFTA is not an us-versus-them issue, where Mexico's gain is our loss. Americans know that we can't prosper if our trading partners stagnate. No nation has done more than Mexico to open its markets in recent years. Mexico is our fastest-growing export market—buying two-thirds of its imports here in the United States. Last month, Mexico replaced Japan as the second largest purchaser of our manufacturing products. As a percentage of per capita income, Mexicans spend over seven times more on U.S. goods and services than Europeans or Japanese. And as Mexican incomes go up, they will likely buy even more from us.

By spurring economic growth in Mexico, NAFTA will give Mexico greater capacity to make progress on issues involving the quality of life on both sides of the border.

Our environmental cooperation with Mexico has deepened substantially in the last five years. The U.S.-Mexico Integrated Border Environmental Plan, an unprecedented $1 billion environmental initiative, is designed to clean up the border, to conserve resources and to undertake joint water treatment projects from California to Texas. We are cooperating on air pollution, rain forest preservation and other projects.

Mexico is also taking strong steps on its own. There are now four times as many trained Mexican environmental inspectors patrolling the border as there were in 1990. But we must do more together to protect the environment—and we will.

Cooperation on labor standards and workplace health and safety is also intensifying. Seminars are being held with employers and unions in specific industries in Mexico. Best practices are being shared. And we are addressing child labor concerns.

Mexico recognizes that illegal narcotics is a shared problem that can only be solved through close cooperation. President Salinas tripled Mexico's antidrug budget, tackled the related problem of corruption and took on the drug barons. Many of Mexico's most notorious drug traffickers are now behind bars. This is breakthrough progress—but we can't let up.

In the spirit of the broader cooperation that NAFTA envisions, we are negotiating supplemental agreements to strengthen environment and labor standards. These agreements are crucial in two respects. First, they offer the means to achieve real-progress in raising these standards that are so vital to the people of both our countries. Second, these agreements must show that just as the United States takes seriously the enforcement of its standards in these areas, so does Mexico.

We also must consider the relationship between NAFTA and illegal immigration. President Salinas has said that "more jobs will mean higher wages in Mexico, and this in turn will mean fewer migrants to the United States and Canada."

Let me be clear with respect to immigration. People who have emigrated to the U.S. from Mexico have immeasurably enriched our country. Legal migration from Mexico and other nations will continue to make an important contribution to American diversity and democracy. At the same time, the U.S. is committed to reducing illegal immigration. A growing Mexican economy will reduce that pressure.

Our partnership with Mexico is also dedicated to the collective defense of democracy and human rights. Just two weeks ago, Mexico and the United States together took the lead in calling for immediate action by the OAS to stand by democracy in Guatemala. Our cooperation made a difference—and today Guatemala is standing firm as a free nation.

Mexico and the United States came together in the same spirit of trust and friendship to support a successful, negotiated conclusion to the war in El Salvador. NAFTA will further solidify our cooperation on these vital issues of concern to our two nations and the entire hemisphere.

Throughout this hemisphere, we are working in an atmosphere of mutual respect on the great challenges of the Nineties. We are working to stop the spread of weapons of mass destruction. We are combating narco-trafficking. The Clinton Administration is making a new commitment to join with our neighbors to protect the environment and address population growth. On all these issues, the United States and the nations of Latin America can mace real progress if we work in partnership.

President Clinton strongly endorses the goal of linking the democracies of the Americas through tree trade. From the Caribbean to Cape Horn, nation after nation is removing barriers to foreign investment and trade. Free markets and free trade do far more than any aid program to create real growth and upward mobility—and the prosperity that is vital to the strength and success of democracy.

Let me emphasize that the vote of the Congress on NAFTA will be the most important signal the United States sends to Mexico and all of Latin America in this decade.

In domestic terms, NAFTA is a test of our confidence. It will measure whether Americans believe in our ability to compete in open markets—or whether we will shrink from that challenge and be passive in the face of a changing global economy.

In foreign policy terms, NAFTA is the opportunity of a generation. It is a test of America's willingness to cooperate across a diverse range of issues with Mexico—and with our other democratic neighbors to the south.

Given a clear choice, the American people will choose to compete in the international economy, not cower from it. They will support the cause of democracy in the Americas, not turn away from it.

I am confident that when this Commission meets next year, NAFTA will be in force in the United States, Mexico and Canada. And I am confident that we will be on the way to building a Western Hemisphere community of nations linked by democratic values and open markets.

Thank you very much.

[Farmland News]

NAFTA Is A Boon for Co-Op Members

The following is a speech given by Bill Allen, Farmland vice president, International/Transportation, on May 19, to the Heartland Chapter of the Transportation Bankers Conference of America.

The North American Free Trade Agreement—NAFTA—has the potential to benefit American agriculture very substantially. In particular, barrier-free trade with Mexico will be a boon to the agricultural producers in the Midwest.

NAFTA is an agreement between Canada, Mexico and the U.S. that creates the largest free-trade zone in the world. After ratification there will be free trade from the Canadian Arctic to the sub-tropics of Mexico with the heartland of America ideally positioned directly between.

NAFTA does not affect agricultural trade between Canada and the United States—another pact already addresses those concerns. However, over the next 15 years NAFTA will eliminate trade barriers between the United States and Mexico that concern agricultural goods.

Many current tariffs and restrictions would be immediately lifted upon ratification.

Mexico is a growing country—both in population and economically. NAFTA insures that American farmers have access to that burgeoning marketplace.

At Farmland industries, we admit to vested interest in the agreement. We are proud to be the largest farmer-owned cooperative in the U.S., handling agricultural food marketing and ag input manufacturing.

Since we are a cooperative, our actions directly affect the 500,000 members of local cooperatives, who are our owners.

We believe we are a forward-thinking business and, looking down the road, it is increasingly clear that the future of American agriculture is in the global marketplace.

The challenge farmers, businesses and political representatives face is how to position American agriculture to best compete in this trend.

Free trade, to some people, has negative connotations. However, it doesn't require too much research to build a convincing argument that protectionist behavior—through the creation of restrictive quotas or punitive tariffs—creates counterproductive barriers to international trade.

Our own country's history provides evidence that such a stance can lead to devastating results. I believe there is merit in the school of thought suggesting that U.S. protectionist behavior through the 1920s probably had more to do in causing the Great Depression of the 1930s than any other force or activity.

Protectionist laws and related regulations create barriers that deter international trade and impede economic development with any participant country. Such protectionist behavior in the U.S. was capped by the Smoot-Hawley Act of 1930 and most of us are well aware of the economic consequences that immediately followed.

With the realities of a protectionist philosophy so apparent it is easy for those of us in a farmer-owned system to remain committed to expanding our members' participation in the global marketplace.

This means positioning the system to expand our members' access to markets around the world.

Many other American companies agree that the best chance for growth is m exporting goods. If we are to keep the American farm economy healthy, there is a need to develop additional markets while solidifying the ones in which we have a presence.

That explains the commitment to and support for governmental policies that will help achieve these goals. NAFTA will contribute to the realization of these objectives and will significantly advance the globalization of agriculture.

If there is the belief that agriculture is a purely domestic business, consider that in 1991, U.S. farmers exported about $3 billion worth of goods to the Mexican marketplace. Mexico shipped $2.5 billion worth in our direction.

Every governmental study shows that U.S. trade surplus increasing under NAFTA.

Experts say agricultural exports to Mexico during the 15-year transition period, should increase about $2 billion more than if there was no free-trade agreement.

Figures such as those make it easy for Farmland to approve of NAFTA because it affects our member-owners in a very positive way.

Big gainers are likely to be grain and meat and there are very few farmers who belong to Farmland-affiliated cooperatives who do not raise wheat, corn, beef cattle, or hogs.

How will this affect our member-owners?

The duty-free quota on corn will grow by three percent a year each of the next 15 years.

Grain sorghum will gain from an immediate elimination of tariffs.

Wheat will gain from greater food demand from a more affluent Mexican population.

Mexico is already one of the fastest growing export markets for U.S. meat and the ultimate elimination of tariffs under NAFTA will give a strong boost to further growth.

Beef trade may nearly double by the end of the transition period. Mexican pork imports could increase 300 to 400 percent by 2001.

Farmland's own experience backs these predictions. Our grain exports to Mexico are significant and expanding. We have made major gains in the sale of pork products to Mexico. Under NAFTA, marketing of these commodities in Mexico will grow appreciably.

As a farmer-owned cooperative, the benefits from this increased export activity will flow directly to the farmers and ranchers in the American heartland.

NAFTA has been pronounced dead by some but work continues to help the measure win ratification. This week in Canada' representatives have been negotiating an environmental side agreement that should make the overall package even more agreeable. Mexican authorities still hold hope for ratification by all three signatories sometime this fall.

The reasons are many why we at Farmland conclude that approval of NAFTA will be in the economic interest of the United States and, in particular to our farmer-rancher owners.

We believe NAFTA can be a forerunner to expanded trade agreements with Central and South America.

We remain convinced that such a development bodes well for agricultural producers of mid-America.

Let us hope this nation's leaders do not fall prey to pressure from any group failing to look at the big picture and macro needs of the United States.

Let us hope our leaders continue to pursue the necessary compromises that are so very important to a successful resolution of both NAFTA and GATT, currently under international debate.

Consumers will be the ultimate winners of an open and active marketplace in which goods and services are provided by successful competitors rather than being controlled by subsidies and governmental influence and trade wars.

["CBO Paper, Chapter Four, Agriculture"; "Effects of the North American Free Trade Agreement on U.S. Agricultural Commodities"; and "ITC Report, Part IV. The Likely Impact of NAFTA on U.S. Agricultural Sectors," may be found in the committee's files.]

NAFTA's Impact on Hawaiian Agriculture—Position of the State of Hawaii

Hawaii exports the following crops to the Mainland: sugar, pineapple, beef cattle, macadamia nuts, floriculture/nursery products, seed corn, ginger root, guava puree, coffee, papaya, herbs, and occasionally, Chinese taro and Chinese cabbage.

The 1991 value of production of Hawaiian agricultural products is as follows: Where indicated by an asterisk (*), the value is the actual amount of sales exported from Hawaii; otherwise, it is assumed that the total value of production is from export sales (even though a portion may be sold in the local market):

	In thousands
Sugar (raw sugar)	$270,000
Pineapple (total fresh and processed)	224,600
Pineapple (fresh fruit only)*	43,500
Floriculture and nursery products*	40,920
Macadamia nuts	34,650
Range cattle	15,092
Papaya*	11,172
Ginger root	7,650
Seed corn (1990)	4,850
Coffee	4,600
Guava	2,044
Herbs	1,435

	In thousands
Chinese cabbage*	323
Chinese taro	262

Commodities produced in Hawaii which are also imported to the U.S. market from Mexico include the following (1991 value of imports from U.S. Department of Agriculture, "Foreign Agricultural Trade of the United States (FATUS), Calendar Year 1991 Supplement"):

	In thousands
Sugar—cane and beet	$3,463
Banana	56,741
Coffee	333,171
Spices	19,803
Cattle	361,010
Avocado	676
Mango	54,499
Pineapple—fresh	896
Pineapple—canned	3,675
Pineapple juice	4,390
Other fruit—fresh	12,722
Other fruit—prepared	34,765
Other fruit juice	823
Tomato	249,882
Cabbage	764
Onions	89,927
Cut flowers	13,116
Nursery stock	7,146

In the longer term, potential for increased competition from Mexico for Hawaii's share of crops exported to the Mainland and those produced for local consumption is likely. There will be some potential for Hawaiian agriculture to benefit from riding Mexico's "coat-tails" as they develop the Mainland U.S. market for their products. In the long run, Hawaii needs to achieve and maintain a product image that separates itself from the Mexican competition.

Under the North American Free Trade Agreement (NAFTA), Hawaii's agricultural products will be at a competitive disadvantage in nearly every way in comparison to a Mexican-grown product. A document published by the U.S. International Trade Commission (ITC) in January 1993 entitled "Potential Impact on the U.S. Economy and Selected Industries of the North American Free Trade Agreement" provides details on the likely impact on various U.S. agricultural sectors of NAFTA.

CONCERNS AND RECOMMENDATIONS

The concern for Hawaiian and U.S. agriculture is that the advancement of economic liberalization and tariff reduction as envisioned under the NAFTA must be approached in a measured and deliberate manner to avoid undue disruption and stress for America's domestic economy. Detailed specification of NAFTA's impact on Hawaii's exports and what exactly must be done to overcome it is dependent on review of the actual NAFTA document (legal review draft, September 6, 1992; available at Office of International Relations). With these caveats in mind, the following recommendations on what can be done to minimize its potential impacts. Some or all of these recommendations may need to be in the form of supplemental "side agreements" or protocols to NAFTA.

Import Surge Concerns

- The existing import tariffs that help to offset Mexico's transportation advantage will be phased out. Currently, about 40 percent of Mexican agricultural goods enter the United States duty-free and the remaining products are dutiable at an average rate of 8 percent ad valorem; however, other dutiable (noncitrus) fruits have a rate of 13 percent. By value of trade, 61 percent of Mexico's exports to the U.S. market will be subject to immediate elimination of tariffs under NAFTA; other tariffs are subject to 5-, 10-, and 15-year phaseouts. The potential for declines in U.S. production and employment exists for citrus fruits, certain frozen vegetables, and domestic fresh-cut flowers (especially roses). The ITC study provides no specifics on mangoes, papayas, and other "tropical specialty fruits."
- Hawaiian products such as sugar, coffee, and macadamia nuts are already in global surplus. Additionally, unfettered production by Mexico or by Hawaii will further depress prices for these products.

Recommendations

• Provide for the reimposition of the original tariff in situations where imports of fresh fruits or vegetables disrupt domestic markets (the import surge phenomenon). We should seek application of this special safeguard provision ("snapback") to any crops produced in Hawaii which are not already protected.

• If not already included, seek inclusion of pineapple, beef cattle, macadamia nuts, floriculture/nursery products, seed corn, coffee, ginger root, papaya, coffee, guava, herbs, Chinese taro, and Chinese cabbage on the list of commodities subject to the 10-year phaseout tariff protection. Commodities for which Hawaii may eventually develop export markets, such as avocado and mango, should also be included. This would give Hawaii's growers sufficient time to adjust to the changing markets for these crops. Without this tariff protection, the U.S./Mexico trade in some, if not all, of these commodities will be duty-free when the NAFTA goes into effect. For example, cattle/beef and fresh and dried nuts will be subject to immediate tariff elimination under NAFTA, while tomatoes and onions will have a 10-year tariff staging period plus safeguards.

Agricultural Marketing Standards Concerns

• Hawaiian papayas shipped to the Mainland are subject to strict marketing orders on size and appearance. Imports, including those from Mexico, are not subject to these restrictions. Under NAFTA, any measure regarding the classification, grading, or marketing of a domestic agricultural product must accord "no less favorable" treatment to the like imported product.

Recommendations

• Where applicable and as provided for under the NAFTA, the United States must be vigilant in applying Federal marketing orders and orderly marketing arrangements that establish classification, grading, and/or marketing standards that apply equally to agricultural products imported from Mexico and produced domestically.

• The terms of trade of tropical horticultural products between Mexico and Canada must be equal to the terms of trade in these products between the United States and Canada.

Phytosanitary and Environmental Concerns

• Some Hawaiian produce shipments are hindered by treatment for fruit flies (e.g., papayas). There is consumer resistance to irradiation, and heat treatments reduce fruit quality. Portions of Mexico are designated "fruit fly free" and would not face these phytosanitary hindrances. Other phytosanitary requirements, particularly those dealing with flowers and foliage plants, need to be strictly enforced to prevent entry of insects and diseases.

• Environmental standards are higher in Hawaii. Enforcement is more stringent and far more costly than in Mexico. A number of agricultural pesticides that are banned in Hawaii are still used in Mexico. Under NAFTA, a sanitary and phytosanitary (SPS) measure may be established (for example, regarding pesticide residues) which is stricter than an international standard so long as it is scientifically based, nondiscriminatory, and does not create a "disguised restriction on trade."

Recommendations

• Enforce sanitary and phytosanitary (SPS) regulations (such as residue tolerances) on imports that do not result in unfair discrimination or disguised restrictions on trade.

• Standardize pesticide and chemical regulations to eliminate unfair economic advantages currently enjoyed by Mexican growers. Currently, there are 19 pesticide chemicals approved for use in Mexico which have no U.S. tolerances. The cost of complying with the Environmental Protection Agency's agricultural workers protection rules increases the cost of business for U.S. farmers relative to Mexican competitors. Other programs such as applicator certification and protection of endangered species also add to the cost of producing commodities in the United States. Unless Mexico develops parallel programs to those in the United States, the right to prohibit entry of competing agricultural products would be maintained only if the actual goods do not need Food and Drug Administration SPS regulations. Thus to be competitive and equitable, agricultural commodities grown in Mexico must be produced under the same conditions that U.S. farmers are required to meet.

Special Sugar Concerns

• Hawaii's sugar industry has special concerns regarding NAFTA. Sugar is considered a highly sensitive product of the agreement as the U.S. industry could face

severe detrimental impacts. The provisions provide for a transition period of up to 15 years before tariffs are eliminated. NAFTA's special conditions, however, give Mexico tremendous incentive to increase sugar production since it can export its entire surplus production to the U.S. market for the U.S. preferential price after 6 years if Mexico is projected to achieve surplus producer status for two consecutive years.

• Furthermore, Mexico could possess exportable surpluses without even improving its production. NAFTA calls for lifting Mexico's wholesale and retail prices to U.S. levels. These higher prices will decrease Mexican sugar consumption and their large beverage industry will be encouraged to substitute lower priced corn sweeteners for sugar. A substantial exportable surplus could be generated merely by converting the beverage industry from sugar to corn sweeteners.

• Tariffs on U.S. imports on refined sugar and sugar-containing products from Mexico are proposed to be phased out in 10 years rather than 15 years as for raw sugar.

Special Recommendations for Sugar

• Three elements of a potential side agreement on import surges are recommended by the U.S. sugar industry to address the above concerns. Specifically they are:

1. During the 15-year transition period, limit growth in U.S. imports of sugar from Mexico to 25,000 metric tons (more than triple its current access), plus Mexico's surplus production up to U.s. import needs in excess of its legislated import minimum.
2. Expand the definition of "surplus producer" to include consumption of corn sweeteners; make this surplus producer discrimination on the basis of verifiable history, not on projections.
3. Expand the proposed 10-year phaseout of U.S. section 22 import protection on refined sugar and sugar-containing products from Mexico to 15 years, to be consistent with the transition period for raw sugar.

CONCLUDING REMARKS

Hawaiian agriculture must not await detailed specification of the threat that NAFTA poses to exports to the Mainland, nor should it expect extraordinary efforts by Congress to erect protective side agreements to benefit Hawaii producers. It must take action collectively and individually to ensure that Hawaiian agriculture can compete on what hopefully will be a level playing field.

Prepared Statement of Tommy Irvin, Commissioner, Georgia Department of Agriculture

COMMENTS ON THE NORTH AMERICAN FREE TRADE AGREEMENT

The proposed NAFTA agreement has some potential benefits for agriculture, but there is a great deal of apprehension regarding its effect on American farmers and consumers. I have discussed this with various industry representatives, and would like to outline some general concerns, followed by particular commodity issues.

The NAFTA's ascension provision is only one part many feel could be detrimental. It essentially allows any Central or South American nation to participate in the agreement after meeting certain basic criteria. Such a provision allows a potential too many uncertain elements enter future trade.

Some questions in the minds of Georgia's agriculture leaders include that all agreements be reciprocal. Will Mexican truck drivers be held to the same testing requirements as U.S. drivers? How will differing business ethics standards be resolved? And how will the two different economies be integrated, especially considering our much higher wages?

Environmental issues must also be addressed. Chemicals not approved for use in U.S. agricultural production must not be allowed in the farming of any NAFTA participant. It is necessary that all biosanitary considerations and labor conditions be applied equally among the NAFTA nations.

In summary, the underlying feeling is that U.S. farmers can compete and be successful in an equitable situation. Therefore caution and careful study must guide our course while regarding this agreement. Failure to do so could jeopardize U.S. agriculture in spite of some very well intentioned ideas on trade expansion.

With agriculture as the backbone of our economy, we cannot afford to make decisions in haste. Only through judicious construction will the NAFTA achieve its ulti-

mate purpose—to increase the standard of living for all those in the signatory countries.

EGGS

Quotas will be set for the first 10 years following the NAFTA's implementation, increasing each year. The first year allows a combined hatching and table egg quota of 6,500 metric tons—however, it has not been determined how this will be divided.

Because there are not quotas or licensing requirements on further processed egg products, this area can expect to see increased promotion.

The United States will have to accept Mexican egg products if they are brought up to our health standards.

We generally agree that the market will open and give the United States greater potential for exporting to Mexico, stimulating additional demand for eggs.

PEANUTS

Our concerns with transshipments lay in the difficulty of detecting non-NAFTA peanuts at the border. Nations not participating in the agreement may attempt to enter the U.S. market via Mexico, thereby circumventing U.S. trade regulations. Also, Mexicans might place their peanuts on the U.S. market while allowing Argentine peanuts to supply Mexican domestic needs.

Our leading concern is the poor quality we are presently witnessing in imported peanuts. Laden with aflatoxin and containing violative levels of chemicals, these foreign peanuts threaten disruption of consumer confidence and safety. We should require any peanuts crossing the border to meet the same safety standards to which U.S. peanuts must conform.

Related phytosanitary concerns include the question of what new weeds and diseases may be introduced to U.S. soil through Mexican seed peanuts.

Present tariff rates are not satisfactory from our perspective. They are set too low and the price differential is eliminated in a short period of time.

The long term effect of NAFTA has been projected to be a 10 percent increase in exports to Mexico.

However, in the short term U.S. peanut producers will not be able to match low import prices. These circumstances could lead to a major disruption of the peanut industry.

Based on current market conditions, University of Georgia agricultural economist Stan Fletcher says imported peanuts will drop below U.S. projected support price in the second or third year following the agreement. He maintains that it would make our support price program ineffective, possibly putting some peanut farmers out of business.

Georgia peanut farmers feel the NAFTA will ultimately favor U.S. competitors.

TOBACCO

There is initial concern that the rules of origin will preclude American blended cigarettes from being exported to Mexico.

The tobacco industry feels the NAFTA will allow them to build strong export market in Mexico.

Overall, the NAFTA promises a growth of U.S. tobacco exports. The decline of trade barriers and increase of Mexican incomes should lead to greater demand for high quality U.S. tobacco.

COTTON

Concerns are in the area of rules of origin. Similar to the worries of peanut growers, the U.S. cotton industry fears that Mexican produced cotton will enter the United States while Mexican domestic demand will be filled by cotton produced in the nations of the Commonwealth of Independent States that are currently selling at 10 to 17 cents below the world market. The price advantage wielded by nonmarket economies over market economies presents a big problem for the cotton industry. If a fiber forward rule of origin were included in the NAFTA, then only signatory countries would benefit. However, this has not been included as yet (only a yarn forward rule has been included).

The cotton industry feels that if the GATT agreement, as currently being discussed, is approved, it would be possible to balance the potential market losses for U.S. cotton. They recognize that the manufacturing of apparel will continue to move to low-wage countries, but if we are given a level playing field to market our cotton, we can compete.

Also, concerns exist regarding the observation and compliance with environmental rules, and worker health and safety regulations. Compliance in this area takes a great deal of effort and expense for U.S. industry.

Mexican cotton production has declined in recent years, but the Mexican Government has begun an incentive program to encourage more production.

According to Economics Update, two cotton related industries in the Southeast, textiles and apparel, will probably lose jobs to Mexico. In short, the NAFTA is likely to have a negative impact on U.S. cotton.

POULTRY

Georgia farmers should be able to increase exports as a result of the NAFTA.

In the long run, under the NAFTA the U.S. poultry and egg exporters stand to gain more sales and Mexican consumers will have a premium supply of poultry, according to the U.S. Poultry and Egg Export Council.

The agreement will allow more duty free product into Mexico.

The Georgia Poultry Federation has joined the National Broiler Council and the United Egg Producers in supporting NAFTA.

Prepared Statement of Robert E. Barrow, Master, National Grange

I am Robert E. Barrow, the duly-elected Master of the National Grange, which has offices at 1616 H St., N.W., Washington, D.C. The National Grange represents approximately 300,000 farmers and other residents of rural America in over 4,000 local communities across the United States.

The central problem for every free market economy is to keep supply and demand in balance. Agriculture has been struggling with supply and demand, in spite of production control programs, for over 60 years, and no end is in sight unless we have a structural increase in demand.

Agriculture needs new customers and new markets in order to grow and prosper. Where can we find them? For starters, we can look south to Mexico; then beyond to Central and South America.

The National Grange has followed the development of the North American Free Trade Agreement (NAFTA) since its inception more than two years ago. As a member of the Agricultural Policy Advisory Committee on Trade, I have personally been involved in the events that led up to the three Heads of State initiating the Agreement in the late summer of 1992.

The voting delegates to the National Grange's 126th Annual Convention strongly supported the NAFTA. In 1991, in the early stages of the negotiations between the United States, Canada, and Mexico, the Grange adopted the following resolution:

"The National Grange supports the efforts of the United States, Mexico, and Canada to reach a North American Free Trade Agreement. To provide protection to the producers of import-sensitive commodities, we recommend the following:

"1) The U.S.-Canadian agreement phases out tariffs over a 10-year period, but many of the U. S. domestically-produced and processed products will vigorously compete in the United States' market with products that are produced and processed in Mexico. The United States' tariff phase-out period should be for a longer period of time than 10 years, and the commodity coverage under the General System of Preference should be terminated.

"2) The NAFTA should also provide for a temporary "snap back" restoration of tariffs during the peak harvesting season or during times of import surges of agricultural commodities that are above the trend line for that commodity.

"3) In addition to these two general provisions that would apply to all commodities, there are some products that may need to have special arrangements made to help their industries adjust over a longer period of time to a free trading environment.

"4) We recommend: a) establishment of minimum technical standards regarding pesticide use, quality control, and disease control; b) protection of intellectual property rights, including plant variety trademarks and brand names; c) strong so-called country-of-origin protection that would protect U.S. producers and processors from competition from transshipment of Third Country products into the United States via Mexico's NAFTA provisions; and d) elimination of Mexico's import licenses that greatly reduce the amount of goods that are available for export and the product registration rules that make it time consuming and costly to gain access to Mexico's consumer markets."

We have determined that the agreed-to NAFTA meets the National Grange's primary recommendation; therefore, we firmly support its approval by the U.S. Congress.

Following the completion of the negotiations in August of 1992, the National Grange met in November '92, in Denver, CO, for its 126th Annual Convention. At that time, the voting delegates reaffirmed the above policy and adopted the following:

"The Grange must continue to support expanding trade on a mutually beneficial basis. The success of the North American Free Trade Agreement (NAFTA) will be instrumental in accomplishing some of these objectives and the Grange should give it strong support."

The Grange believes that the NAFTA, on the whole, will be beneficial to the economic growth of the United States, Canada, and Mexico. The greater economic activity will be between the United States and Mexico because the majority of the NAFTA's provisions have already been implemented under the U.S.-Canada Free Trade Agreement (U.S.-CFTA). This is particularly true for agriculture because Canada chose not to enter into most of the agricultural negotiations in the NAFTA, leaving it to U.S. farmers to reap most of the benefits from increased farm trade.

As the International Trade Commission's report pointed out, the NAFTA's impact on the United States will vary by region and product. The report "Potential Impact on the U.S. Economy and Selected Industries of the North American Free Trade Agreement", which was written by the Commission, stated it correctly—that there would be short-term and long-term effects by the trade agreement. The report said, in part, that the NAFTA is expected to expand U.S.-Mexican trade substantially. The estimated gains in U.S. exports to Mexico range from 5.2 percent to 27.1 percent. The projected increases in U.S. imports from Mexico range from 3.4 percent to 15.4 percent.

The projected long-term gains in aggregate employment are less than one percent for the United States and Canada, but are up to almost seven percent for Mexico. The expected increases in the average real wages are 0.3 percent or less for the United States, 0.5 percent or less for Canada, and 0.7 percent to 16.2 percent for Mexico. Although the evidence on the direction of real wage effects for low- and high-skilled U.S. workers is mixed, the preponderance of evidence indicates an indiscernible effect on the United States' wage rates for both low- and high-skilled workers.

According to the report, Mexico's improved access to advanced technology could lead to a long-term increase in Mexico's rate of economic growth. As longstanding participants in a global open trading regime, the United States and Canada may not realize substantial dynamic gains from the NAFTA, but will benefit from the market opportunities that are created by the economic growth in Mexico.

The NAFTA will raise the standard of living in Mexico, creating new markets for U.S. products, including those from our farms. At the same time, the economic activity in Mexico, as a result of freer trade between 360 million consumers, will result in increased employment in Mexico, alleviating part of the human misery that drives Mexican citizens across the Rio Grande to seek illegal employment in the United States. It will also provide the economic steam engine to help Mexico improve its labor and environmental standards. Without the NAFTA, there is no assurance that these things will ever happen. Which is the better hemisphere to live in—pre-NAFTA or post-NAFTA?

The NAFTA will create new, long-term growth opportunities for U.S. farm exports in the Western Hemisphere far into the next century. The USDA's Office of Economics' most recent appraisal of the Agreement's impact on agricultural trade contains the following:

"In the year 2008, when the Agreement is fully implemented, U.S. farm exports are estimated to be $2 to $2.5 billion higher than without the Agreement. Most of that will be gains in U.S. farm exports to Mexico. Farm exports to Mexico have been on an upswing due primarily to Mexico's lowered barriers to U.S. agricultural imports at the same time its economy boomed."

The further lowering and eventual removal of Mexico's tariff and non-tariff barriers to trade will result in further increases in U.S. farm exports. This will be true for a large number of United States' agricultural commodities.

The NAFTA's provisions are well known to you and the members of your Committee. We believe that there are sufficient safeguards and other measures to protect the import-sensitive commodities. Designated quantities of these safeguarded products may enter at a low tariff, with imports larger than those quantities paying a higher tariff. The United States can apply such safeguards to a wide range of impacted commodities, including fresh tomatoes, eggplants, chili peppers, squash, watermelons, and onions.

There are other safeguards built into the NAFTA. The products that receive favorable tariff treatment must originate (or be substantially transformed, such as through a manufacturing process) in Mexico, Canada, or the United States. Under

the Rules of Origin, a country cannot import farm goods and ship them to a NAFTA partner under the Agreement's more favorable tariff treatment. Mexico's tariffs with other countries will not be changed by the NAFTA.

Opponents of the NAFTA argue that the Agreement will result in unsafe food entering the United States because of another country's lower standards. Under the NAFTA, we can maintain our stringent standards for health, safety, and the environment, and prohibit imports that do not meet the United States' standards. State and local governments can enact their own import standards if they are based on scientific grounds. Each country in the Agreement can maintain the grade standards to fit its marketing rules. The local content requirements of Mexico's manufacturing rules will be eliminated under the Agreement, opening up new markets for U.S. goods.

Some of the highlights on increased U.S. farm exports to Mexico under the NAFTA are: 20 percent increase in wheat, 2.5 million ton duty-free quota for corn that will increase 3 percent each year, 10 percent to 20 percent increase in rice, $400 to $500 million increase for soybeans, 8 percent rise in peanut exports, pom fruits (peaches, apples, and pears) may nearly double, 20,000 ton increase in milk powder, and increased exports of pork and hogs.

We live in a global economy, and no sector of the United States' economy can escape that fact. The fastest growing sector of our economy is our exports, and Mexico is an important part of that growth. The NAFTA will lock in the gains in exports we have made with Mexico and open new opportunities for growth.

New trade agreements will be more important to the restructured United States' agricultural sector and rural America than any new farm bill. U.S. agriculture heavily depends on exports. About one-third of our production is sold to foreign customers. If we are to just maintain the present agricultural productivity, let alone bring back the millions of acres that are now being held out of production, help preserve family farms, and enhance rural America, we have no choice but to expand agricultural exports. Otherwise, we must take resources out of agriculture in order to maintain a balance between supply and demand at reasonable prices. That means even fewer farms and fewer farmers.

Mexico is just the beginning. Three-quarters of mankind lives in squalor. Our economic future lies in using our nation's productive capacity to relieve the awful suffering of the great bulk of the world's people. No amount of foreign aid can accomplish this task. Only foreign trade holds the key to world prosperity.

We strongly support the NAFTA, and urge its approval by the U.S. Congress. To conclude that the United States stands to lose by eliminating trade barriers with Mexico, a small economically depressed nation, takes some mighty creative reasoning. In the short run, we may have to restructure parts of our economy so that poorer nations can more robustly consume our farm and industrial goods and services in the long run. The world had to restructure demand to bring about an end to the Great Depression. World War II was the primary reason behind that restructuring. Now we have a chance to accomplish it through peaceful means -trade expansion through regional and international trade agreements.

We respectfully urge approval of NAFTA by this Committee and Congress. To do otherwise will not only be detrimental to all of our economic sectors but would set back our political and economic relations with our Latin American neighbors to the point of non recovery. We urge you to vote "yes".

Thank you for allowing the Grange to present its position on this matter. We would like to request that this statement be made part of the hearing record on the NAFTA.

Prepared Statement of David B. Land, Vice President, Florida Fruit and Vegetable Association

Florida agriculture accounts for $16.1 billion of economic activity to the nation's fourth largest state, by population. It is Florida's second largest industry, and employs tens of thousand of people to grow, harvest and market its wide array of agricultural products, including citrus, vegetables, tropical fruit, and sugar cane.

Due to the fact that Florida producers compete head-to-head with their counterparts in Mexico, the North American Free Trade Agreement (NAFTA) has been of great concern to the state's farmers, their employees, and their communities. Florida agriculture believes that a properly negotiated NAFTA can be productive for all sectors of the U.S. economy. Unfortunately, however, the agreement as it currently stands does not meet that criteria.

Florida Fruit & Vegetable Association (FFVA) believes there are three options for addressing the agreement's inequities: First, negotiate side agreements that contain

measures to prevent potential damage to the industry; second, re-negotiate the agreement itself, or third and last, defeat the agreement in Congress—if and when it comes up for a vote.

BACKGROUND

Numerous reports by governmental and private agencies have documented the potential damage to Florida agriculture should the NAFTA be implemented. The International Trade Commission (ITC) in two separate reports indicated that the winter fruit and vegetable industry would be adversely affected by the agreement. The University of Florida estimated Florida's farmgate value loss to range from $80 million to $300 million and job losses to reach as high as 60,000. Another report indicated that Florida's tomato growers will lose a fifth of their production (approximately $125 million) and 8,700 jobs in the first year of the NAFTA, if it was implemented immediately. (The Potential Effects of Labor-Intensive Agriculture In Mexico on United States-Mexico Migration, Thompson and Martin, Commission for the Study of International Migration and Cooperative Economic Development, Washington, D.C., December 1989.)

With this as a backdrop, FFVA and other Florida agricultural organizations worked with U.S. negotiators in an attempt to develop an agreement that will provide producers with adequate provisions to ensure an economic future for their farms and their communities. FFVA argued for an exemption for import sensitive commodities until production standards—particularly in the labor and environmental areas—were harmonized between the two countries. The current disparity in regulation and enforcement provides Mexican producers wit an artificial comparative advantage in the marketplace.

In addition, FFVA argued for a price and volume-based safeguard mechanism to protect growers from downward price pressure caused by increased imports brought about by the lowering of tariffs.

The agreement negotiated contains very few of the measures Florida agriculture must have to remain competitive. No mention was made of harmonizing labor and environmental standards. Although some commodities are afforded a 15-year phase out of tariffs, less than four percent of Florida fresh fruit and vegetables receive that treatment. Most fall into the ten, five, and immediate phase out categories. And, even though a special safeguard mechanism is built into the agreement, it is volume-based only; and, therefore, cannot react quickly to a rapidly declining marketplace that is all too common in the sale of fresh produce.

"Labor", "Environmental" and "Import Surge" side agreements currently being negotiated do not appear to provide much in the way of improvement, based on discussions at briefings on the negotiations conducted by the Administration.

FFVA POSITION

Environmental and Labor Standards

FFVA has consistently supported the harmonization and equalization of production requirements and condition for Mexican and U.S. producers, including labor, environmental and food safety measures. Neither the agreement, nor the proposed side agreements, address this key issue for Florida agriculture. If the agreement is not changed to account fairly for the actual disparity of the governmental burdens imposed on U.S. producers vis-a-vis their Mexican counterparts, then they will be left with a fundamentally inequitable, competitive situation.

Adopting NAFTA without substantially addressing these issues is in effect tantamount to the United States adopting Mexico's food production standards. "Beefing-up" inspection at the border is a logical course of action to ensure that food meets U.S. standards; however, inspections do not tell the whole story of how food is grown. Many pesticides, for example, dissipate on commodities prior to their arrival at border inspection stations. Use of some of these materials which may not be available in the United States provide growers in Mexico with a distinct competitive advantage in the marketplace.

To correct this inequitable situation, FFVA believes the same production standards should be required of producers on both sides of the border, and that import inspections must be increased and targeted to commodities known to have pesticide residue problems. These measures should be enacted prior to the lowering of tariffs in the agreement.

Safeguards

Due to the disparity of costs of production in the labor and environmental areas, the existing tariffs on Florida agricultural products often provide the difference be-

tween being competitive and not being competitive. This is why FFVA has argued that tariffs should not be removed prior to the harmonization of those standards.

However, the agreement as it presently is written calls for the commencement of tariff reductions with the implementation of the agreement. It is, therefore, essential that an effective safeguard mechanism be in place to protect producers of import sensitive commodities from downward price pressures in the marketplace brought on by an increase in the volume of imports.

The agreement calls for a volume-based tariff rate quota (TRQ) that will restore duties on a small number of sensitive commodities once a certain quantity threshold has been reached. For many non-highly perishable commodities, such a mechanism might be appropriate. However, due to the highly perishable nature of fresh fruit and vegetables—and their proclivity for extremely rapid price fluctuations—it is essential that the safeguard contain a price trigger, as well. Under the mechanism contained in the agreement, it may take up to a few weeks for the volume trigger to be reached and the tariff restored, even with markedly increased shipments. Meanwhile, the marketplace has reacted negatively to the added shipments with a severe reduction in the market for that product. A price trigger would restore the tariff immediately when a historical benchmark price is reached; and, therefore, would be much more effective as a safeguard measure.

CONCLUSION

FFVA believes a full debate in Congress on the NAFTA is crucial. This agreement is more than an exercise in juggling tariffs and timeframes for their elimination. This agreement, as now written, will have an impact on the safety and security of the United States' food supply. If it is not crafted properly, it may well result in American farmers and growers losing their farms and groves, their workers losing their jobs, and a number of rural communities being seriously harmed.

The NAFTA and its side agreements must include provisions which will harmonize U.S. and Mexican standards for the production of agricultural commodities. It also must provide producers safeguards to ensure a smooth transition. Congress must seize this opportunity to mandate changes in the NAFTA that will address, and hopefully solve, the inequities in this agreement. Because, once it is approved, the opportunity will be lost.

PREPARED STATEMENT OF THE NATIONAL GRAIN AND FEED ASSOCIATION

The National Grain and Feed Association (NGFA) welcomes the opportunity to comment on the vitally important issue of U.S. agricultural trade with Mexico and respectfully requests that this statement be included in the record of today's hearing. The NGFA and its members strongly believe that NAFTA is of vital importance to U.S. agriculture. We urge Congress to approve NAFTA quickly and resoundingly.

The NGFA is the national nonprofit trade association of more than 1,000 grain, feed and processing firms comprising 5,000 facilities that store, handle, merchandise, mill, process and export more than two-thirds of all U.S. grains and oilseeds utilized in domestic and export markets. The NGFA also consists of 37 affiliated state and regional grain and feed associations whose members include more than 10,000 grain and feed companies nationwide.

U.S. TRADE WITH MEXICO: A REAL SUCCESS STORY

Even before the NAFTA was negotiated, agricultural trade between the United States and Mexico was important to the economic well-being of both countries. More than 80 percent of Mexico's agricultural imports originate in the United States, making Mexico the third largest market for U.S. agricultural goods. These exports are extremely important to U.S. production agriculture and agribusiness, as well as the rural communities which depend on agriculture for their economic livelihood. NAFTA approval will result in the improvement of an already-thriving trade relationship with Mexico, creating additional export opportunities for U.S. agricultural goods and additional jobs and income for the 21 million U.S. workers in production agriculture and related industries.

The overall trade picture with Mexico is similarly rosy. More than 400,000 export-related jobs have been created in the United States since Mexico opened its markets in 1986. The average Mexican consumer already purchases more than $450 of U.S. products annually, more than the $385 spent on U.S. goods by the average Japanese consumer, even though Japanese incomes are eight times greater! Today, almost $1 out of every $10 of U.S. exports goes to Mexico, and that figure undoubtedly will rise for agricultural goods and all other sectors as trade barriers fall.

NAFTA BENEFITS: GRAINS AND OILSEEDS

In the grain and oilseeds sector, the proposed agreement's benefits are clear. Some trade barriers, such as Mexico's current 15 percent seasonal tariff on grain sorghum imports, will be eliminated immediately. Other requirements, such as Mexico's import licensing system, will be converted to transitional tariff-rate quotas and phased out over 10 years. By removing these and many other impediments to cross-border trade, the NAFTA will result in the United States being extremely well-positioned to capitalize on new market opportunities.

Several studies of NAFTA impacts demonstrate that the U.S. grain and oilseeds sector, with productive and efficient farmers and a comprehensive transportation and marketing infrastructure, will reap substantial benefits from NAFTA. For example, U.S. wheat exports to Mexico are projected to increase 40 percent over levels expected without NAFTA. These export gains will mean an additional $40 million in revenues to the U.S. wheat sector by the end of the NAFTA transition period.

Similarly, U.S. soybean exports to Mexico are expected to rise about 20 percent over non-NAFTA projections by the end of the NAFTA transition period. Farm prices are projected to increase by about 2 percent per bushel, and revenues are expected to increase by $400-500 million.

Dramatic gains are also expected in the coarse grains sector. Projections are that U.S. corn exports to Mexico will increase to about 6 million tons, almost 50 percent above the level expected in the absence of NAFTA. Sorghum exports to Mexico are expected to reach 6 million tons within ten years, about 15 percent above non-NAFTA projections. Other coarse grain exports are expected to increase about 20 percent. In sum, increased exports solely attributable to NAFTA are projected to raise U.S. farm prices for corn and sorghum about 5 cents, leading to revenue increase of $400-450 million. Total increased grain and oilseed exports alone under NAFTA could lead to an additional $1 billion in revenue.

NAFTA RESULTS: INCREASED EXPORTS, GREATER INCOME POTENTIAL

These figures make it abundantly clear that NAFTA is of tremendous importance to the U.S. grain and oilseed sector. In an industry that must export about half its total production, NAFTA clears the way for significant increases in export activity. Trade barriers that limit exports of U.S. agricultural goods to a country with a booming economy and 90 million consumers (and growing fast!) is an extremely exciting prospect! The resulting export gains will benefit farmers and agribusiness, in terms of both total revenue and of greater utilization of U.S. agricultural capacity, one of our greatest remaining competitive advantages over the rest of the world.

Commodity price gains and producer income gains are especially important now due to increasing pressure to reduce federal agricultural spending as a component of budget deficit reduction. This year's budgetcutting exercise in the House and Senate agriculture committees highlights the need to find market-oriented solutions to declining financial support from the U.S. Government. To cut producer support and to deny the same producers the opportunity to compete for lucrative markets like Mexico would be to let a valuable opportunity pass us by.

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